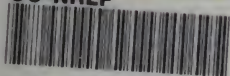


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STATEMENT
OF
Mr. EDWARD MORRIS, President
OF
MORRIS & COMPANY.

**Before the Committee on Interstate and Foreign
Commerce of the House of Representatives, in
Washington, with Reference to the Federal
Trade Commission's (The Sims') Bill Author-
izing the Government to take over the Stock
Yards and Stock Yards Terminals and all Instru-
mentalities of the Packers, Including Refriger-
ator Cars, Cold Storage Plants and Branch House
Markets.**

Mr. Chairman and Gentlemen of the Committee:

As President of Morris & Company, I desire to thank you very sincerely indeed for the opportunity of addressing you on this occasion. The packers have not been heard on this subject. The people are entitled to know the facts. And you gentlemen should know the big, controlling facts in order to guide you as to this proposed legislation, which is a clear departure from anything yet advanced in this country as a permanent peace policy. It is unfortunate that the packers in the past have not taken the people more into their confidence. If they had, I assure you that the feeling towards the packers would be infinitely more favorable than it is at present.

This is the first time it has been my honor to appear before a Committee of Congress, and I am not informed as to your rules. I want to meet your views in all things, but if it is consistent with your rules of procedure, I will read a statement which I have prepared and then I will be very glad indeed to answer any and all questions which any member of the Committee may desire to ask. Ordinarily, I prefer to talk directly and extemporaneously, but this is an important and complex subject, and so I thought it best to reduce my thoughts to paper, so that you would in the first instance get my views in a connected manner.

While the Federal Trade Commission in its sensational report is most unfair and unjust to the packers, treating them as criminals when there was no foundation in fact for such vicious treatment, still this Honorable Committee is in no way responsible for the report or any of the charges made by the Commission and as the bill before this Honorable Committee is deserving of candid consideration on its merits, I shall disregard personality insofar as I can avoid it, in order to discuss and analyze the bill and the report of the Commission, on which it rests, and which it is not only my privilege but my plain duty to do. But it will be my constant aim to discuss this matter with the great dignity due this Honorable Committee and yet with complete candor.

The Big Packer.

There is an apparent prejudice in certain quarters against the big packers, commonly referred to as the five big packers, Swift, Armour, Morris, Wilson and Cudahy. But I want to assure this Honorable Committee that if the facts were fully known and it was realized what tre-

mendous benefits the big packer renders, both in war and in peace, this prejudice would be entirely dissipated and commendation would take its place.

Before taking up this precise subject, let me call your attention to the peculiarly hard position which the packer occupies. In the first place, he is dealing with a food product, a necessary of life, and which is highly *perishable*, and, on that account, must be sold quickly on the market. In the second place, the packer buys his raw material, the live meat animal, from the cattle man, the hog man, the sheep man, the farmer, the feeder and the shipper, and they in turn want high prices for the live animal. In the third place, the finished product, meat and meat food products, is sold through the retailer, to the consumer, which is everybody. Naturally, the producer wants high prices for the raw material, and, just as naturally, the consumer wants the finished product as cheaply as possible, but the great difficulty is, that there cannot be cheap meat on the table when the packer pays a high price to the producer for the live stock on the hoof. Consequently, the packer is constantly between these two great conflicting armies. Hence, it has always been popular in the past to investigate and abuse the packers. We have reached the point now where it is proposed to enter upon new and dangerous fields of legislation, and others than the packers are necessarily interested and involved in this proposed paternalistic legislation, for the natural feeling of the people would be that if this is good legislation for the packer it should also be good for others as well.

Service of the Big Packers During the War.

Let us first consider the service performed by the big packer during the war. Possibly no one is entitled to any great credit for performance of duty, and I want it distinctly understood that I am not asking for any credit, but it is perfectly proper that the indisputable facts should be known at this time, when there is such apparent willingness, in certain quarters, to criticise the five big packers merely because they are big.

If Napoleon, when he said that an army wins its battles on its belly, was correct, then I say to you that the war would not now be over if it had not been for the five big Chicago packers. I make that statement deliberately and challenge successful contradiction. This was one of the big industries that stood up and delivered the goods in the stress of storm. It never faltered and it never wavered, and it never asked, or received, one cent of assistance from the Government. Be it said to the eternal credit of the packers, that they made a smaller percentage of profit during the war period than the Food Administration authorized and approved. In the case of Morris & Company, the war profits were scarcely more than one-half what the Food Administration approved. This alone gives the lie to the charge of profiteering and should forever silence the charge of monopoly and illegal combination.

During the war, the packers maintained practically a solid string of refrigerator cars from Chicago and the western markets to the sea board for France. Shipments of meats at times were at the rate of a car per minute for twenty-four hours a day and for days at a time. The business ran into millions of pounds. The Chicago

packers slaughtered more than fifteen million head of cattle, calves, hogs and sheep during 1918, or three million more than in 1917, and paid Seven Hundred and Twenty-five Million Dollars, in cash, for their raw material. For prime cattle they paid over Twenty Dollars per one hundred pounds, prime cows Eighteen Dollars, and hogs Twenty-one Dollars, and these packers, being big, paid cash for this raw material every day, besides paying a tremendous increase in cost for supplies and labor. Yet in the face of this magnificent showing, they are pilloried as criminals and the Federal Trade Commission has recommended this bill, which would destroy the great efficiency of this industry and probably in time the industry itself.

Due credit should be given to the patriotism of the producer. He came to the front and did his bit; but this would have been without avail if it had not been for the efficiency of the big packers. The total meat exported from this country in 1918 exceeded two billion pounds, and all of it moved with clock like precision, and yet the organization of the big packer was such that he was able to furnish the particular kind of meat that each one of our Allies wanted. The five big packers furnished ninety-five per cent of the bacon used by the United States army. Possibly the full import of that statement is not understood unless you also know that bacon, for domestic use, can be put through the smoke house in two days, but the Government required eight days in the smoke house for the bacon used by the army, this increased time being necessary because of the exigencies of warfare handling of the product. These big packers never wavered on this requirement, but turned over their entire smoke house capacity for Government use so the boys in France would get the best that could be produced. And

to show the volume involved, I would state that three hundred and fifty-nine million pounds of pork products were shipped to the Allies in one month. You should also know that before this country entered the war, the Allies called on our European branch houses, and they responded promptly and to their full limit, with products shipped from this country.

These packers are still feeding our army, the navy, the Allies and the starving people of Europe, and while they fed the boys well, there being not a breath of scandal or even the hint of suspicion along that line, and while certain of these packers have been compelled to re-finance on account of this heavy drain during the war, the Federal Trade Commission comes along during this period of reconstruction and before peace is even declared, and would have new and radical legislation enacted that would in time destroy this industry. The great accomplishments of the packers during the war were due solely to efficiency brought about by the close, personal attention to this business by the parties having financial interest therein for the last three generations. Now the Federal Trade Commission, although originally created to, and upon the promise that it would aid, assist and direct business, recommends legislation that would destroy all of that efficiency by putting this most useful and important industry in the hands of people unfamiliar with it. This question involves the welfare of all the people for all future time, and we must, therefore, in its discussion and determination, rise above politics to the plane of patriotism. I know that this Honorable Committee desires to adjust this matter with broad vision, on principle, and with an eye to the future.

While it is known by all men that the Chicago packers performed a patriotic duty in a patriotic manner, still

that is not the point exactly. The point which I make is that if it had not been not only for their efficiency, but for their bigness, they could not have done what they did during the war. This is not intended as any criticism of the smaller packer. He also performed his work nobly during the great crisis, but was of course limited by his capacity. So before we criticise merely bigness in the packing industry, let us reflect upon what that bigness did in the cause of liberty and human freedom.

During these days we hear of the vast sums that are to be spent upon our navy for future protection and safety, and yet this bill would now ruthlessly strike down an industry that would be absolutely essential to win any war in the future—just as essential as the Dreadnaught, and yet our Government can gladly have the service of that industry, without expending one cent, providing it is not stricken down by radical and unjust legislation.

That is not all, however. The big packer accomplishes just as much for the people of this country in times of peace as he did in times of war. That is not generally understood. Let me explain that briefly.

Volume and By-Products.

Volume spells everything in the packing industry. If it were not for the big volume—and big volume necessarily means the big packer—the packer could not sell the meat as cheaply as he does to-day, because volume permits the packer to utilize all of the by-products, and the packer makes his profit out of the by-products alone—not out of the dressed meat. That is the vital difference between the big and the little packer. The little packer cannot make use of the by-products to the same extent because he does not have sufficient volume to justify it,

while the big packer utilizes everything around a packing house, and such utilization is to the benefit of the consumer, because it enables the packer to sell his meat more cheaply. The big packer has about one hundred departments, which means the *utilization* of these various by-products, and yet this Federal Trade Commission complains because the packer has so many related interests. Would they have us go back to the old days when nothing in the way of by-products was used but the hide, the fat, the horns, the tail and the hoofs? All else went into the sewer, not only as a pure waste, but as a great detriment to health.

Of course, everybody knows what the big packer has done for the quality of the goods, at the same time saving the by-products for the benefit of the consumer. It is very interesting to learn whether the producer gets more out of the animal from the local butcher or from the big packer. At first blush, you might think that the producer would realize more from the local butcher because he would save freight, commission and stock yards charges and shrink incident to shipment; but the Department of Agriculture has made a study of this question and in its report, No. 113, under part 5, entitled "Methods and Cost of Marketing Live Stock and Meats," we find the following language:

"From 62 to 84 per cent of the gross returns on these cattle were received by the owner; while the retail butcher's proportion of the proceeds was from 16 to 38 per cent. These accounts, together with estimates from other sources, indicate that farmers ordinarily receive about two-thirds and the retailer about one-third of the total proceeds of cattle killed by local butchers. In general, it is apparent that farmers receive smaller relative returns from cattle marketed locally than from those that are shipped to centralized markets. The ratios appear to be de-

terminated to some extent by the grade of the cattle as well as the method of marketing, the farmer's share being smaller according as the cattle are of lower grade. The results strongly indicate, however, that the saving of the freight, stock yards charges, commissions, and other expenses, which saving is effected by selling locally, usually is absorbed by the butcher and does not find its way to the producer."

If this one subject could be understood fully by the Committee and the people generally, the prejudice against the big packer, as such, would be effectually and forever disposed of; but I am sure this Committee will not favor any legislation which would destroy not only the great efficiency which the packers concededly have, but also individual initiative and personal effort to still further perfect these matters to the great benefit of the human race.

Profits.

Fortunately, there is one ascertainable bit of information which settles absolutely and effectually, the question whether the packers deserve to be legislated against at all, and that is, the question of profits. The packer is merely a manufacturer and distributor standing between the producer and the retail butcher, who sells to the consumer. The efficiency of the big packers is conceded. The report of the Federal Trade Commission will be searched in vain for one bit of evidence pointing to inefficiency. With efficient conduct of the business being established, then if the profits of the packer are small, *there can be no ground for complaint.*

I am not going to say that the Federal Trade Commission maliciously and wilfully attempted to deceive the American people on this crucial subject, but I am entitled to state the actual facts. And the fact is, that the Com-

mission, when it gave out our profits figured on the amount of our capital stock, knew that Morris & Company was a close corporation, all of the stock being owned by the Morris family, and it knew that the company had only a nominal capital of Three Million Dollars. It also knew that Morris & Company had surplus and reserves amounting to Forty-two Million Dollars,—the accumulation of over 30 years' intense labor—and yet it gave out to the public the profits of Morris, in percentage, figured on its nominal capital stock of Three Million Dollars. I say, in all fairness, that the people of this country were entitled to have the exact facts from any branch of the Government on that particular subject, and especially at that particular time, when there was, rightfully, a bitter feeling against profiteers. But that is a fair sample of the unfair way in which we have been treated by the Federal Trade Commission, in a hundred different matters.

I want to say to you, positively and unqualifiedly, that the profits of Morris & Company for the last five years have averaged about 1.5 per cent on the turnover; that the profit of Morris & Company for the last five years, including cattle, sheep and hogs, has been seventy-seven cents per head; and that the profit of Morris & Company, per pound of meat, for the last five years has been a fraction under a third of one cent; that the profits for the fiscal year ending November 2, 1918, was 7.24 per cent on the total capital invested, including borrowed money, and 9.39 per cent on the money invested by Morris & Company in the business, and while the sales of Morris & Company in 1918 exceeded the sales in 1917 by more than One Hundred Million Dollars, still the profits were One Million Dollars less than in 1917, *and I respectfully defy the Federal Trade Commission to show that any of these figures*

are not absolutely correct. The Commission has had access to all of our books and records and can easily confirm, or disprove, these statements. These incontrovertible figures tell the whole story and demonstrate not only that the fault is not with the packer, but also that the big packer is the friend of the consumer. They show exactly what volume means to the industry and the benefits that it means to the consumer.

Co-Operation.

I want to say to this Committee that there should be the fullest possible co-operation between the Government, the packers and the public. The interests of the three are closely allied and interwoven. The packers are manufacturers of a necessary of life. We are living in a day of new thought. Every business man, who has given the subject any consideration, realizes that he cannot live unto himself. The packers realize that they are dealing with a food product and should have the confidence of the consumer. Morris & Company wants to co-operate with the Government. There should be complete co-operation between all industry and the Federal Trade Commission, because this Commission was created to assist and direct industry. Each should be a mutual help and guide to the other—at least that is the attitude of Morris & Company.

There should also be co-operation and confidence between the packer and the producer and between the packer and the consumer. But let me ask, calmly and without intending to be personal, what will be the effect upon production of a sensational report, by a branch of our Government, to the effect that the packers have a monopoly and an illegal agreement among themselves to

divide the buy, to the detriment of the producer? There can be but one effect, that is, to lessen production. And what is the effect at the other end of the business, where the consumer is told by our Government that he is being robbed by a greedy and grasping monopoly? There can be but one effect, and that is, to cause less meat to be eaten, and this lessens the demand and ultimately injures the producer. This sort of thing is not constructive, helps no one and injures the producer and every one connected with this great industry.

What has been the effect of this sensational report of the Federal Trade Commission upon the peoples of other countries? In this connection I would like to read an editorial from a London periodical, "Cold Storage," in its issue of August 15, 1918, and which is as follows:

A DAMNING INDICTMENT.

"If any one had suggested a year or so ago that the American Meat Trust was trading unfairly, the accuser would have had emptied on his head the vials of the wrath of the entire world outside the Central Empires. For one thing, the Big Six had gratuitously pledged themselves to pool their resources in the cause of the Allies, and a blow at their good faith would have been regarded as a blow at our good American cousins in general. Furthermore, a suggestion that such a dastardly act as profiteering on a big scale was possible by any big corporation, while civilization was at death-grips, would have been an accusation almost too awful to utter against anyone making ordinary claims to respectability. Past history of 'Trust' practice was put out of memory by one and all, the Trust's own pledge was accepted and—nothing was said until—until recently when the United States Government itself has spoken, out of the mouth of its Federal Trade Commission. We are glad that the painful word has been spoken from

the other side of the Atlantic. Personally, we know a trust must always be a trust, that is, never to be trusted. But that such a damning indictment as 'these packers have preyed upon the people unconscionably' should have been hurled at this trade octopus by the U. S. Government, as at a loathsome, carnivorous beast, this, indeed is an object lesson for the whole world. The Commission shows only too clearly that the Beef Trust has preyed upon producer and consumer alike; there is no pocket safe against its depredations. How dearly we would like every individual cattle and sheep raiser in Australia and New Zealand to learn this lesson by heart. 'Ware Beef Trust' should be branded on every station in the Southern Hemisphere. Queenslanders and others, before now have airily discussed with us the BONHOMMIE and the LARGESSE of the American stock buyer, and have proclaimed him unfailingly a good fellow. Our warnings will now have the seal of the United States Government, and we hope that the Commission's report will mark the growth of a great international movement to stamp out the Trust career of the Big Six as a thing no less harmful in the world than Prussian militarism, whose first cousin it surely is."

It is evident, from the report itself, that the Federal Trade Commission expected that injury would result to these packers abroad, as indicated in this editorial, because in its report it says:

"Out of the mass of information in our hands one fact stands out with all possible emphasis—the small dominant group of American meat packers *are now international* in their activities while remaining American in identity. The blame which now attaches to them for their practices abroad as well as at home inevitably *will attach to our country* if the practices continue." (My italics.)

The Commission knew that its report would reach England and foreign countries, and so it did, because the Commission directly and positively charged that these

five packers aimed at "world monopoly" and devoted a lot of space to what they call an "international pool," and the above comment of the Commission in its report is quoted in London Pall-Mall of August 9, 1918, under the following heading:

"THE WORLD-WIDE MEAT TRUST."

Startling Disclosures in America

PROFITEERING.

DRASTIC FEDERAL ACTION PROPOSED."

This brings home to us in full force what a branch of our Government has done for an American industry abroad. If this treatment were given to all American industry, what would become of our foreign trade and if our exports are destroyed, what is to become of American labor?

What does the American producer think of this sort of thing? I want to make the deliberate statement that if the export business of these packers is wiped out the price of live stock would within one year be cut in two. Every reasonably small producer would be wiped out, and then what would become of production and labor? The President, in his letter, indicated that meat food production was not keeping pace with the increase of population, and it is not, but this Federal Trade Commission has not done one blessed thing to stimulate production. On the contrary, its sensational report has had the direct effect of seriously and permanently injuring our export business, and in time this must reflect against the pro-

ducer. During the war we heard a great deal about stimulating production of live stock, and yet a branch of our Government gives out a report that has dealt the cause of live stock production a very severe blow and one from which it will not recover for many a day. It is unfortunate for all concerned that a branch of our Government would thus play into the hands of foreigners at the expense of American business and American labor. You don't see England doing this sort of thing.

The editorial itself shows that the packers stood very high in the estimation of our Allies until this report came out, but this slanderous report is accepted abroad as authoritative, coming as it does from a branch of our Government.

No one likes to buy from a greedy monopoly and particularly from a foreign monopoly. Is it good policy to needlessly and wrongfully cripple our own home industry in these foreign relations and business, for if the effect of such reports is to cut down our foreign demand, it is bound to re-act against the producer in this country and this will in turn re-act against labor.

We have heard a great deal said in this country about American capital going out to capture the markets of the world. We are building a large merchant marine for that express purpose, but this is one industry that cannot capture the markets of the world if our Government is to continue making such unfounded and sensational reports with reference thereto. The producer of live stock should realize this for he is the one who will suffer most in the end and of course, labor will be injuriously affected also.

I am informed that in England, since the war, the Government cooperates with the various industries of

that country on an entirely different basis from anything heard of in this country. The English Government is striving for efficiency to the point that if two companies in the same line of business do not produce the manufactured article at the same cost, the Government, through experts, studies conditions at both plants to ascertain the reason for the difference and to bring the plant with the least efficiency up to the standard of the other company, so that there will be the lowest possible cost in both plants. Then they propose to go out and capture the markets of the world. In other words, the Government cooperates to the point of bringing all up to the highest possible point of efficiency.

Unfortunately, the Federal Trade Commission works just in the opposite direction. It would destroy the efficient. Instead of building refrigerator cars for the smaller packer and bringing the smaller packer up to the point of efficiency attained by the big packer, the Commission would take from the big packer his efficiency and strike down all initiative and individual effort and ambition in that direction, as well as the benefits derived by reason of years of active competition in a wonderfully efficient industry.

We are not living in a day where there should be any further destruction. There has been too much already. Let us hold fast to what we have and add to, rather than take away. Let us cooperate amongst ourselves so that there will be complete confidence between all branches of this great industry that we may present a solid front to do some business in the markets of other countries. That would lead to extension of cattle breeding and hog raising and if we are all pulling together we will come nearer to getting the business abroad than if we are pulling apart.

Distrust and antagonism created by these sensational and extravagant reports by a branch of the Government cannot do anybody in this country any good and is bound ultimately to re-act against the producer and in turn will cut down production, which in turn will cut down the demand for labor, and then we will have the situation of the population increasing faster than the meat food supply and this, on its face, was what the letter of the President intended to correct.

It is possibly true that some of the misunderstandings between the producer and the packer come from the fact that neither understands the business or viewpoint of the other, as he should. It is my idea that we should draw closer together and study the conditions and difficulties that surround each other in his respective business. I will not say that the packers have not made mistakes. Who has not? We are not infallible, but we have always been ready and willing to make corrections and improvements, and that is our attitude today. If there are any errors or abuses that have crept into the industry, I say to you, in all sincerity, that so far as Morris & Company is concerned, we are only too willing to correct them.

Reconstruction period.

I would say in this connection that this is no time in this country to "rock the boat." That is true of all business. We must readjust business to new conditions, and while that is being done business should not be disturbed by radical legislation, unless there is some actual and crying need for it. Experiments, especially by theorists and impractical men in the dangerous field of paternalism, should be let alone. Of course, this Committee will readily understand that in order to carry the

load during the war, without asking aid of our Government, the packers were heavy borrowers, but in addition to that, our added cost of supplies and labor was enormous. Under these circumstances, we submit, in all fairness and justice, that even before peace is declared and while we are still expected to feed our Army abroad and the Allies, this industry should not be disturbed and crippled by experimental legislation.

The Federal Trade Commission does not recommend the taking over of the packing houses.

The Commission makes it very plain that it does not, and never will, recommend the taking over of the packing houses themselves. Of course not. There is a very good reason for it. It is because the producer, is on one side, and the consumer, which is everybody, is on the other side. The Commission knows that there cannot be high prices paid for live stock on the hoof and at the same time have cheap meat on the table of the consumer, and if the cattle man is not paid high prices for his cattle he will be heard from. On the other hand, if the meat is high the consumer will not remain silent. It is a physical impossibility to satisfy both. Besides, the packing business, above all other business, is complex and difficult. Each department which handles a by-product is a large business in itself. It requires absolute efficiency and will not run itself. It is not a business that can be successfully operated by men unfamiliar with its details, and the Commission recognized that fact when it gave assurance that it did not want the packing houses themselves.

That is no reason in itself why this great industry should be crippled, if not destroyed, by the taking over of its instrumentalities. The statement of the Commis-

sion that it would not take over the packing houses was for the apparent purpose of creating a feeling that the Commission wanted to be fair and had no bias, but this bill which it recommended bears its true import on its face. The testimony of Chairman Colver has made it very plain that it is not necessary to take over the packing plants to accomplish what the Commission wants to accomplish, because these plants could be crippled, or even absolutely destroyed, under the license system proposed in this bill.

The Bill.

As we turn to consider the bill now before this Honorable Committee we might say at the outset that we are opposed to this bill, in the first place, on principle, because it means Government operation and possible Government ownership, and I do not believe that such paternalism is for the best interests of this country as a whole; and, in the second place, there is no foundation in fact, to justify this radical measure, taking property from parties who have built up an industry through efficiency and initiative; and, in the third place, the bill is vicious in its terms, unfair and unjust to the parties affected, and would in time destroy the efficiency of the packing industry, and at the same time be against the best interests of both the producer and the consumer.

Before taking up the details of the bill itself, there is one point I want to make very plain, and that is, that this bill means immediate Government operation or Government ownership, at the discretion of a President. As we all know, Government operation means inefficiency and inefficiency means deterioration of values. I want to say to this Committee that if the Government is going to take over these properties, as a permanent measure

during peace times, then, I submit, in all fairness, that the properties should be bought outright at this time and not after the property is run down and deteriorated in value through Government operation.

I am unalterably opposed to any such program. It is unfair and unjust to the present owners. Those in control under Government operation might have no interest to protect certain yards, as against others, and could, either through design or negligence, absolutely destroy the value of certain of these yards. In other words, one stock yards might easily be built up at the expense of another, just as it is said that, under Government operation, the business which naturally and properly belongs to certain railroads, has been diverted to other roads. Certain of these cars might be diverted to the carriage of fish, or fruit, and, in any event, the cars will in time wear out.

If we are to have Government ownership, let the adjustment be made now and according to present values when the property is taken over and not after its value is destroyed through inefficient operation. In that event, what would the packers do with their packing plants, if all of their instrumentalities are taken over as this bill contemplates?

This bill covers stock yards, railroads at stock yards, refrigerator cars, branch houses, cold storage, rendering and serum plants. I shall discuss, each in the order named, only the five big subjects, to wit: stock yards, stock yards railroads, refrigerator cars, cold storage and branch houses.

(A) STOCK YARDS AND STOCK YARDS TERMINALS. I will consider stock yards and terminals at stock yards at the same time, because their history is the same. It might be well to first understand just what a stock yards is. The Federal Trade Commission would treat a stock yards as a part and parcel of a railroad—that is, as a depot. This is entirely erroneous, as the basis of a stock yards is completely distinct and separate from that of a railroad. The railroad tracks leading from the trunk lines of the carriers to the unloading docks and unloading pens are furnished by the terminal company and are defined by the Act to Regulate Commerce as railroad facilities as “transportation” subject to that act. These tracks and unloading docks and unloading pens constitute a separate and integral facility and have no part in the handling of live stock at the market.

The duty of the common carrier, according to the Supreme Court of the United States, ends when it unloads the live stock into suitable unloading pens or chutes. And that is exactly where the work and duty of a stock yards commences. The live stock are then driven by employes of the commission men from the unloading pens, or chutes, to the pens of the stock yards for the purpose of being fed and watered and sold. These feeding and sales pens, in large stock yards, occupy several hundred acres. In other words, the stock yards is a market place, and, incidentally, the live stock are penned, rested, fed, watered and weighed. When sold they are driven to the scales to be weighed and delivered to the purchaser. It is the work of the commission men to feed and water the animal, and it is always given all the feed and water, and especially water, that it can hold before being weighed to the packer.

The stock yards are always constructed to make as short a drive as possible for the animals before sale to the packer and thus prevent shrink, which would represent a loss to the shipper, especially as to hogs. The yards are divided up so that the cattle will have one division, the hogs another, the sheep another and the horses and mules another. Cattle coming from tick infected territories are placed in the quarantine section.

Let it be understood that stock yards could not exist without packing houses, because the packer furnishes the market at the yards; nor could packing houses exist without a stock yards, because the stock yards is where the packer gets his raw material. Consequently, the packer is directly and vitally interested in keeping up the yards and seeing that they are properly maintained so that they will be patronized by the producers and so that the packer will be assured of sufficient raw material with which to operate his plant. That is the real cause of the packer being interested in the various stock yards of this country, and that is the reason why he should be interested. It is also to the interest of the producer that the packer should be interested, because it means that he will support these yards, and that is exactly what the producer wants.

The idea of creating one central market in each live stock center was the outgrowth of necessity, developed in Chicago in the year 1865, and has been followed successfully ever since in all of the leading live stock markets in this country.

As a matter of history it might be said that originally each of the leading railroads entering Chicago, maintained a terminal stock yard, just as Mr. Colver, Chairman of the Federal Trade Commission, is suggesting in

his testimony at present, but this plan did not work satisfactorily, either to the railroad, the shipper or the buyer. This was due to the fact that the shippers and feeders found the best way to get the strongest competition, or the highest prices, was to have their stock where the buying strength was the strongest. Naturally, the buyers were more numerous at the terminals of the lines bringing in the largest number of cars of live stock, and as a natural and necessary result the shippers patronizing the smaller lines were placed at a disadvantage, because they could not get buyers to look at their stock until they had looked over the receipts at the yards of larger lines; and in many cases they could not sell their stock unless there was not enough at the larger yards to supply the demand.

This situation brought about the organization of the Chicago Union Stock yards. When these yards were first built, each railroad handled the stock in and out of the yards, which brought about long delays to shippers, because each railroad looked after only its own business, resulting in delays to the business of its competitors. The only way to overcome this difficulty and avoid these delays was for the stock yards to operate its own terminals where each shipper on each railroad would have equal rights with all other shippers entering the market.

This, in brief, is the history of the development of one central market, with its own railroad terminals, and this is the plan of all large industries, as well as all live stock, and after more than fifty years of operation it has been found to be the best plan for all concerned.

After the Chicago Union Stock Yards were in operation and packing houses were built, live stock, in large quantities, from the south, southwest, west and north-

west, commenced moving in large quantities to Chicago. As a result, large feed yards were established by the railroads at junction points, viz: East St. Louis, Kansas City, Omaha and St. Paul. The shippers, desiring to avoid the long and expensive shipping, continually urged the packers to establish packing houses nearer the point of production, with the result that in time packing houses were established at each of these feed yards and the Chicago plan of centralizing the market and creating union terminals was adopted as the best plan. This is the history of the development of stock yards and stock yards terminals in the cities of East St. Louis, Kansas City, Omaha and St. Paul.

The railroads, anxious to avoid the long hauls, with resulting claims, were anxious to encourage these changes, and have stock yards and packing houses established closer to the point of production, and place the stock yards and stock yards terminals into the hands of those interested in this line of business, feeling that there was no more reason for the railroads operating a sales place for live stock than that they should operate a sales place for any of the other products hauled by the railroads.

Naturally, the railroads turned to the packers for this assistance, feeling that if the packers could be induced to take an interest in the yards and build packing houses at, or near, the yards that then the packers, necessarily, would keep the yards in an attractive and workable condition.

Of course, the packer could not be interested in building large packing houses, entailing great investments of money at these points until he was assured of a steady and reliable market in the future, and, in most instances, an interest in these yards was acquired by the packers.

It must be apparent that it is to the interest of the producer that the packing house be located near the point of production, because that will save both the expense of longer shipment and shrink in the animal. Accordingly, in time, stock yards were established at St. Joseph, Wichita, Denver, Fort Worth and Oklahoma City, but this Honorable Committee will readily understand that the yards in the cities last mentioned must necessarily be much smaller than the yards in Chicago, East St. Louis, Kansas City or Omaha. Some of these cities will scarcely support two packing houses, but in such cases it must be self-evident that it is to the interest of the producer, and the community where such markets are located, that the two packing plants should be kept going and that one should not be permitted to increase at the cost of the other, because this would necessarily result in "ruinous competition," and put one of the packing houses out of business, and this in turn would put the other out of business, because no market in the world can be maintained with only one buyer.

The original location of these small stock yards also presented the serious question of creating a market. There can be no successful stock yards without a packing house, and, on the other hand, there can be no successful packing house without stock yards. In case one of the packers would want to build a new packing house in a new territory and develop a new market, it must be perfectly apparent to this Honorable Committee that it would be absolutely impossible to get any outside capital to build the stock yards in such a case. This is the history of and the reason why the packers own both the packing plants and the stock yards in these smaller markets. It was simply inevitable, if these markets were to be developed in new territory. This was in the interest of the

producer and everybody else connected with this vast industry. Yet a great deal is said in the report of the Commission about these so-called "50-50" markets, as if this work in building up new markets in new territory close to the producer was a crime in itself. I only hope that this matter can be fully and accurately understood. The more light on that particular question the better.

Turning, for the moment, to the consideration of the terminals at the stock yards, I say it would be the height of folly for any large stock yards to depend upon any one railroad to operate the terminals at the yards, for it would be but natural to expect that this railroad would look after its own patrons first and best. It would also be the height of folly to expect to give all railroads opportunity to operate their trains in and out of the yards, because it would mean confusion and delay to all, and could not be done without loss of time and delays to stock, and anybody who knows anything at all about this business knows that it is of the greatest importance to the shipper to get his stock promptly to the unloading chutes, get them unloaded, fed and watered and in good shape to be exhibited for sale. On the other hand, delay means shrink, which is a loss to the shipper. Consequently, it has been found to the interest of all that the railroad terminals at these stock yards should be operated by the people who have but one interest, viz: to give to each live stock shipper the best possible service, so that he will be satisfied to continue to ship to that market. And that is the big, main reason underlying the organization and operation of these terminals at the stock yards.

One big fact stands out in connection with the stock yards and stock yards terminals, as to the report of the Commission on which this bill is based, and that is, *that*

no facts are given of discrimination and not a single instance is mentioned where the yards were not conducted efficiently and fairly and squarely in the interest of its patrons. In that connection it must be borne in mind that these stock yards are public markets, and, before the war, the railroad rates and charges at the yards were subject to the supervision and control of the Interstate Commerce Commission, so that it would be absolutely impossible for there to be any discrimination whatever, and there never has been any such discrimination. There is therefore no necessity for this bill from that source, because no advantage could be taken or given if such was the desire of any of the yards.

Let us consider for a moment the effect of the workings of this bill upon the stockholders therein, and at this point I might say that so far as the Chicago yards are concerned, neither Morris & Company, nor any member of the Morris family, or any one on behalf of either the corporation or the family, either directly, or indirectly, ever owned any stock or interest in the Chicago yards whatever. I make this statement, not because it would be wrong or improper to have such holdings, but because there has been so much said in the public press, and otherwise, about the interest of the packers in the Chicago yards.

More than nine thousand shares of the East St. Louis yards, out of a total issue of forty-three thousand shares, are owned by people who have no interest whatever in the packing business.

Seventy per cent. of the capital stock of the Kansas City yards is owned by people having no interest or connection whatever with the packing industry, and the stock is dealt in largely on the Stock Exchange, so that

anybody can very quickly and easily acquire a substantial interest in these yards.

At Omaha and St. Paul, large blocks of stock are held by others than the packers.

Suppose for instance, that there is a certain stock yards in the Northwest that has, through its favorable location and careful management, made a success. Would it be just to its stockholders for Government operation, under this bill, to divert the business from such yards to other yards less favorably located and yet that is entirely possible if this bill becomes a law.

To be more explicit—suppose a live stock shipper owns stock in the yards at St. Paul. Naturally, he has a pride in such yards and works for their success. Would it be just to him to have his profits taken to build up a yards for the live stock shippers of some other state?

I want to direct another question to the natural workings and effect of this bill. If this bill becomes a law, what incentive would there be for any one to build up any new yards, with the knowledge that when the yards get over the hard part and their receipts are brought up to five hundred thousand head per annum, that the Government would then take them over under this bill and conduct the business? I say that this bill will destroy absolutely all initiative, all incentive and all effort to build up small yards in the future near the producer, because the moment they would reach the five hundred thousand limit, they would come under this law, and no one will work to build up a business unless he is to get the benefits thereof. In other words, the bill strikes at initiative and individual effort, and ambition, and particularly at the future of small yards near the producer.

I would also call to the attention of this Honorable

Committee the fact *that the report of the Federal Trade Commission will be searched in vain for any specific case where the shipper was injured as a result of the packers having an interest in the yards.* On the other hand, the report itself cites numerous instances where stock was sold for more in these small markets because of the "support" of the particular packer interested in that particular yard. The great problem here is not the Chicago, Kansas City, East St. Louis or Omaha yards. There are plenty of buyers on these yards and they will take care of themselves. But the most important question in the disposition of this particular subject is, what is to become of the smaller yards, the "50-50" yards, which exist now solely as a result of this support by the packers? Does the producer want that support withdrawn? Is it to the interest of the producer, or any one else, that the interest of the packers in these yards should be removed? Who will "support" them, if the interest of the packer in the yards is destroyed? In other words, is not this bill a move to centralize the live stock business in the big yards, whereas the tendency should be to encourage and build up more small yards closer to the production?

I would also call your attention to the fact that *not only no case has been cited where injury was done through packer ownership or interest in these stock yards, but also that no discrimination or unfair practices by the stock yards have been pointed out. And, more important still, no practice or evil under the present arrangement has been cited and which will be corrected through this bill.* The ownership of the yards cannot possibly affect the prices paid for live stock therein, because any one wanting to buy can buy any stock in the yards for sale. It is a public market. The stock yards company has no ownership interest whatever in the stock offered for sale

in its yards. The stock is consigned to commission men, who take charge of the stock and handle it in the yards for the owner. The operation or ownership of the yards by the Government cannot in any way, or to any extent whatever, make the yards more open or competitive than they now are.

Of course, I appreciate that possibly no great good would be served by discussing at length the province and workings of the terminals in the stock yards, because they are now under Government operation as a war measure and no one can tell at this time just what disposition will be made of the railroads. At the same time, I thought it but proper that you should know the history of these terminals and the reasons back of their present organization and operation, and particularly to make it very clear that the present great efficiency has been brought about through the one fact that some one interested in the industry and in maintaining and building up the market has centralized the five stock depots of these railroads so that all shippers would necessarily be treated alike and on the same basis, and so that discrimination would not be possible.

It must be very clear to this Honorable Committee that the packer could have no interest but the welfare of the yards, because the welfare of his packing industry is wrapped up in, and depends upon, the welfare and future of the yards. The great question under this bill is whether it is advisable to strike down and take away from these yards the interest which the packers now very properly have in them, and which the history of the business has shown to have been in the best interest of the yards and of their patrons.

Not that it would be decisive of the wisdom of this par-

ticular feature of the bill, yet I would like the proponents of the bill to advise this Committee whether it is not the fact that under Government operation, while the rates for the operation of these stock yards terminals have been increased, these terminals have been operated by the Government at a loss. An answer to this inquiry would tend to prove two things, first, the efficiency with which these terminals were operated before the Government took over such operation; and, second, that they were operated on lower rates than those the Government now gets. In other words, it might be to some extent enlightening as to the advisability of Government operation for Government operation has had the benefit not only of increased rates, but also of increased tonnage, and this bill seeks to give operation, with possible ownership, of these facilities. This and any additional cost of Government operation is borne by the producer and consumer.

(B) REFRIGERATOR CARS. The refrigerator car again emphasizes the importance of the fact that the packer is constantly dealing with a highly *perishable* product. Fresh meat must be properly refrigerated from the time it leaves the killing floor until it reaches the consumer. Hence, if the packer's product is to be sold at any distance from the packing house, there must be refrigerator cars, and they cannot be dispensed with because a big part of the population is in the East and the packing houses are in the West.

The refrigerator car not only emphasizes the difficulty which the packer has in handling his product, but the history of its development also emphasizes the initiative, the ingenuity, the efficiency and the foresight of the packer. It also tells, in unmistakable language, the great benefits which the development of the refrigerator car, by the

packer, has brought to the human race, because it enables all people to get the benefit of all perishable eatables raised at any distance.

When we go back to the history of the refrigerator car, we again are met with the proposition that the refrigerator car was developed by the packer through necessity. Its development should properly have come through the railroads, and yet credit for the existence of the refrigerator car is entirely due to the big packer. In the early days, the packers could only secure common box cars from the railroads for shipment of this perishable product, which necessarily confined the business of the packer to a very limited territory, because box cars not only jeopardized the commodity itself, but limited the shipping season. Thus handicapped in the expansion of their business, the packers entreated the carriers to furnish them with some kind of car which would meet their requirements, but the railroads refused to finance any experimental work in this direction and forced the packer to invest capital to develop a satisfactory car. When the car was developed, the railroads declined to build them, and the packers were compelled to invest the necessary money for construction, money badly needed in expanding the packing business at that time. Thus we see that the packer became the owner of refrigerator cars through necessity and because the railroads would not furnish them.

When the packers did build these refrigerator cars, the railroads then saw the possibility of greatly increasing their earnings by the use of the ordinary refrigerator car in the transportation of fruits, vegetables, dairy products and dressed poultry, and taking advantage of the packer's ideas built cars for general use. But it is a fact that with very few exceptions, the railroads always have

refused to build beef refrigerator cars, which must be built with larger ice tanks and more insulating material and heavier general framing to support the beef carcasses from the roof than the ordinary refrigerator car.

Let us discuss for a moment the great benefits that have come to the people generally through the development of the refrigerator car by the packer. Before the refrigerator car was brought into existence the people of this country very generally were supplied by the small local butcher, who bought a cow, a steer, a calf; one or two pigs or sheep, and slaughtered once or twice a week, as his business demanded, doing all the work by hand and offering the meats to the public within thirty-six hours from the time of killing, as a general rule no refrigeration at all being provided for. As a result, the product could not be in as good condition for human consumption as is the product of the modern packer, where every known device is used to put the meats in the best possible condition before being offered to the public. The small butcher could only save some of the more important by-products. In addition to the meat being in infinitely better condition, the entire animal is now used so that the packer can sell the meats at a lower price than actual cost, the packer depending upon these by-products for his profit. The big packers now have a large force of chemists, who are constantly endeavoring to produce more and more by-products from the offal, with the possible effect of keeping down the price of meats for human consumption. This is why the price of meat has not increased in the same ratio as has the value of land in the stock raising country, and every improvement of the packer acts as a brake against any further advance in meat prices.

In addition to that, the refrigerator car is used by the large packers to distribute meats in the best possible condition in communities which would not justify the maintenance of a branch house market. This is done by means of what is called the refrigerator, or peddler, car. Morris & Company has two hundred and sixty-five of these car routes touching five thousand and seventy-four towns, the sales through these car routes for the fiscal year ending November 2, 1918, amounted to more than Thirty-six Million Dollars. It brings to the home of the consumer in every section of this country, and sections of the country which would not support branch houses, the packer bacon for his breakfast and steaks and chops for his dinner. This alone is rendered possible by the refrigerator car, because a certain population is required before the over-head in connection with a branch house market is justified.

Morris & Company has approximately three thousand of these refrigerator cars for the use of which the railroads make a maximum allowance of one cent per mile, while it was shown by the railroads in the Western Rate Advance Case that it cost the railroads 1.637 cents to operate their own freight cars each mile a car ran. At first, in order to encourage the packers to build additional equipment and to relieve themselves of the financial investment and trouble in connection with the operation, the carriers paid the car owners as high as one and a half cents per mile for every mile the car ran, loaded or empty. But in 1888, the railroads cut this rate to one cent per mile and in 1894, to three-quarters of a cent per mile, except generally speaking in the territory west of the Mississippi River, where they continued to pay one cent. This three-quarters of a cent rate applied until October 1, 1917, when the packers, thoroughly convinced the carriers

that they could no longer operate these cars in eastern territory on a three-quarter cent rate and the rate was then increased to one cent per mile.

However, since this one cent rate was made effective as of October 1, 1917, labor and material costs have so increased that this rate will not take care of car repairs and depreciation alone, making no allowance whatever for interest, administration, insurance, miscellaneous expenses and profit. Taking these latter items into consideration, the result of operation of the Morris cars for the first ten months of 1918 was at a loss of over Twenty Thousand Dollars per month. In other words, these cars were failing to pay for themselves out of the mileage they earned by approximately Seven Dollars per car per month, without any consideration being given to any income on the investment.

In this connection it should not be overlooked that the packer, who owns his cars, pays the same freight rates as the smaller packer who uses cars furnished by the railroad without cost to himself. *I have searched the report of the Federal Trade Commission in vain to find one word to the effect that there was any rebate, or undue allowance, to the packer on account of this refrigerator car.* In fact, the report fails to show a single item, or instance by which the big packer gets any advantage through the use of this refrigerator car, unless it be the fact alone that it is possible to ship his product because of the refrigerator car. If that is the true situation, then the relief granted should be that the Government should build refrigerator cars for the smaller packer, or anybody else, who has need for same, instead of taking from people their own property, which they developed at great cost and need badly in their business.

It is the fact that the big packers do not now have any more refrigerator cars than they need, and if this bill is passed it must be apparent that great injustice might be worked against the men who really developed this great benefit to the people, by diverting their cars to their competitors or for use in other lines of business. For instance, when the potato crop is at its height, or during the shipping season of the Southern peach crop, or some of the California fruits, these cars might be diverted, through stress of political influence from those particular quarters. Thus the men who developed and built these cars might be deprived of their use in their own business, and the live stock and packing house industry be badly crippled for the benefit of some other industry.

What particular evil is sought to be destroyed by the taking over of these refrigerator cars? None has been pointed out. The only argument that I have been able to gather from the report and the testimony so far given, is, that the refrigerator car is one of the means of distribution of the big packer and if taken away from the big packer, he would, to that extent, be unable to compete with the wholesale grocer. If the object of this bill is to cripple industry, then there can be no answer to such argument, because the bill would necessarily have that effect.

Surely the object is not to have the cars operated any more cheaply so that the consumer will get cheaper meat, because it can be absolutely demonstrated that these cars are not now being operated on a profitable basis. And in that connection, it is quite significant, to say the least, that not one charge has been made to the effect that the packer gets any undue revenue out of the operation, or use, of these cars. Consequently, it cannot be said that the packer, through the use of the refrigerator car, is en-

abled to put up the price of meat to the consumer. Then why take these cars from the packer and give them over to Government operation, because experience has taught that Government operation is more expensive, and if more expensive, to that extent must the cost of meat be advanced to the consumer.

Complete control of the packers' cars to prevent discrimination or other unlawful practices is now vested in the Interstate Commerce Commission.

A very extended and exhaustive study of private car lines has been made by that body in a very thorough and complete opinion on the entire subject. And at this point I would like to read into the record, as a part of my testimony, the decision of the Interstate Commerce Commission bearing on this subject.

For more than thirty years privately owned cars have been extensively used to transport commodities in interstate commerce. They came into use originally because the railroads would not, or did not, supply them in sufficient quantities to meet the demand. The packers, who are the largest users of refrigerator cars, including meat cars, state that they are perfectly willing that carriers should own all cars used by them, "provided they are insured at all times an adequate supply." The proviso qualifies their acceptance of the principle to the extent of practically nullifying it. If all cars were owned and furnished by carriers, in times of shortage the packers, as well as all other shippers of like traffic, would be entitled to no more than their fair share of all cars available. No class of cars in railroad service is used more effectively than the cars owned by large shippers. They have organizations of men to see to it that their cars move as promptly as possible, both loaded and empty. The carriers of the country could not as effectively handle the entire refrigerator and tank car equipment as is now done by the intervention of private owners. The car lines have forces of

experts to watch the crop prospects and to advise as to the needs of particular sections of the country, to secure cars and see that they are on hand for the transportation of all sorts of products in refrigerator cars. If there is a crop failure in one section of the country, the cars are sent to other sections, and are kept actively in use to the highest degree possible. The oil refiner produces certain kinds of oil and desires to reach certain customers. No carrier could inform itself as to his needs and insure that he would have the kind and number of cars to enable him to conduct his business economically and efficiently. If private ownership or control of cars of particular types results in greater economy and more efficient use, the whole public is to that extent benefited. As before stated, nearly 200,000 cars regularly used in interstate commerce are now held in private ownership. According to the statistical abstract compiled by the Commission for the year ended July 1, 1916, there were 2,313,300 freight cars of all kinds owned and used by carriers of the country. It is probable that this amount is short about 20,000 of the number owned by carriers on January 1, 1918, and assuming that on that date the total equipment of railroad owned cars was 2,500,000, it follows that about 8 per cent. of that number is privately owned.

In the beginning, carriers could no doubt have insisted upon their right to furnish all equipment. They did not do so, and in the course of years there has grown up a system of private ownership of such magnitude and importance that it must be reckoned with as an existing condition. Some years ago certain car lines were owned by shippers who received commissions from carriers transporting their traffic. This was unlawful as a concession to such shippers from published rates. No such commissions are paid at this time, nor have there been for many years. It also appears that some years ago carriers paid excessive allowances for use of cars to certain shippers, which amounted to rebates, but so far as this investigation has shown, there are no payments of that character now being made. The handling of private cars is now on such a basis that there does

not appear to be any unlawful practice, so far as payments by carriers to shippers are concerned.

The system of the use and supply of private cars that now exists cannot be at once and radically changed, without serious consequences to shippers, carriers and the public. At the hearings an endeavor was made to secure evidence with respect to normal transportation conditions. The abnormal conditions of last fall and winter are admittedly not such as would indicate what would be just and reasonable practices, as a general rule, for carriers, shippers, private car owners or the public."

It strikes me that unless some evil practiced by the big packer or some improper advantage to the big packer can be pointed out through his operation of the refrigerator cars, which are now being operated to the highest point of efficiency and at less than cost, then it seems fair and reasonable that these cars should not be taken from their present owners and turned over to the Government for operation, which means added cost, which in turn must be added, in the end, to the price of meat, and which the consumer will pay.

(C) COLD STORAGE WAREHOUSES. The whole object of cold storage warehouses, in the packing business, is to preserve the surplus meats produced from live stock shipped to the various markets, until such meats can be advantageously marketed, but that is admittedly to the advantage of both the producer and consumer. At times there are extraordinary runs of cattle, hogs or sheep at the various yards. Sometimes this is due to usual causes, such as the end of the grass season for cattle or in the fall for hogs, and at other times it is due to something unusual and out of the ordinary, as for instance, a drouth in the Southwest or a cholera scare among the hog feeders. If there were no cold storage warehouses

to take care of this temporary over-supply this live stock could not be marketed. This would not be in the interest either of the producer or the consumer, because this would represent a clean loss to the producer, and, reducing the supply to that extent would necessarily enhance the price of the finished product, which would be to the detriment of the consumer. In fact, it would represent a clean loss to the general food supply of the nation. Here, however, the cold storage warehouse steps in and saves all of this food supply from waste. At the same time the packer must pay cold cash for this over-supply. He must "support" the live stock market to that extent, and he does this because he is interested in the market. He is thus not only out the use of the cash paid for the live animals, but he must carry this product in storage until it can be marketed.

Possibly there is no disposition to give the packer any credit for this "team work," but the fact remains that we start out in the consideration of cold storage warehouses, embraced in this bill, with the admitted fact that the cold storage warehouse is a good thing in itself. It performs a valuable service for the people.

Then why legislate on this subject, unless some abuse has crept into the conduct of the warehouses, for we, admittedly, have too much legislation in this country now, of one sort and another. The answer cannot be found in the Federal Trade Commission's report, unless it is that this legislation will help to cripple, and ultimately destroy, the big packers. There is absolutely no evidence of any abuse or mismanagement in connection with the cold storage warehouses, but the cold storage warehouse is one of the "instrumentalities" of the packers and as the packing plants themselves cannot be taken over, for political and other reasons, it is urged that all instrumen-

talities be taken over, whether good or bad, whether properly managed or not, and thus bring about at least the destruction of the efficiency in the packing industry.

Morris & Company has but one cold storage warehouse, the Ashland Cold Storage, in Chicago, and which has a capacity of about fifty million pounds. We store almost that amount in outside public warehouses for which we pay the regular published rates, regulated by the various State Utilities Commissions where the different warehouses are located. So I cannot see where we have any possible advantage over our competitors through this one cold storage warehouse which we own.

Morris & Company, in addition to using the cold storage warehouse to take care of the surplus from big runs, to the advantage of both producer and consumer, also uses the cold storage warehouse for the handling of green hams and other fresh pork products.

This proposed legislation is no war measure; it is a *permanent* peace measure, but the remarkable circumstance in connection with cold storage warehouses is the fact that the report of the Commission does not show any illegal or improper practice in the conduct of these warehouses, does not show where anybody has been damaged by such operation to any extent, and yet this bill would enable a President to practically confiscate this property, because he could, under the bill, build or rent other cold storage plants altogether and parties purchasing live stock require the meats to be stored in Government warehouses, leaving the packer's warehouses vacant, and then turn the proceeds into the revolving fund, under Section 5 of the Act, and build packing houses to compete with the packers with their own money. I submit that this is paternalism with a pretty strong hand.

(D) BRANCH HOUSES. A branch house is a market, or sales place, for the disposition of packing house products at a distance from the packing plant itself.

It is interesting to know the growth and development of these branch houses. In the early days, before the packers had developed refrigeration, beef in the large eastern cities was slaughtered in the adjoining towns and hauled to the city in small butcher wagons, holding from four to six carcasses, after midnight, and was then sold before the sun got very high. In Boston, for instance, these wagons would stand around the Quincy and Faneuil Hall markets. In smaller cities, before the days of refrigeration, the animals were killed in the small local slaughter houses, and while still retaining the animal heat, were placed in the butcher shop, or in the market place, for sale the following day. This meat was necessarily sold at a high cost, relative to the cost of the live animal, owing to the fact that practically all of the by-products were wasted.

When the packing houses were built in Chicago the receipts of live stock soon increased to the point that local consumption would not take care of the fresh meats. Consequently it became necessary to find other markets, and the large part of the population being in the east, that section was sought. At first, beef was shipped to some of the eastern markets in box cars, when the weather was cold enough, and sold at auction on arrival, but this wasteful and extravagant method was soon discarded. Necessity is the mother of invention and necessity produced the refrigerator car, which in turn brought into existence the branch house, because there would have to be a sales place for the product, and as fresh meat is

highly perishable it would have to have proper refrigeration. The branch house was at first a crude affair, but the modern branch house costs from Seventy-five Thousand to Two Hundred and Fifty Thousand Dollars. With the demand for fresh and bright looking smoked meats and the desire to constantly improve the service and quality, facilities for smoked meats were in time added to the branch house, as were also sausage factories and other facilities, which steadily added to the increased investment in the branch houses, but which enables the packer to bring down the interest of over-head operation and also the price to the consumer.

The branch house is ordinarily located on a switch track near the business center of the city and is managed by experienced men who know the wants of the particular community.

The branch house is in the interest of both the producer and consumer, because without distributing facilities which a branch house affords, congestion would take place at the packing plant and there would be no market for the live stock. Consequently, it is to the interest of the producer that the packers have proper marketing facilities, so that the packer can always afford to buy the live stock on the market. The branch house is the only source through which the consumer can get his wants. It goes without saying, that it is also to the interest of the consumer that the packing plants be operated to their capacity, and this means volume, but this cannot be done without the branch house as a marketing facility, because this is what enables the packer to dispose of the finished product. As the packing plants are now operated the profit of the packer is a negligible factor compared to either the price paid to the producer or by the consumer.

Morris & Company established its first branch house in Philadelphia in 1885, its second in Baltimore in 1886 and its third in Washington in 1887. The Company now has one hundred and eighty-six branch houses, with two thousand eight hundred and fifty employes, and it also has two hundred and sixty-five car routes, selling meat in active competition at all points. For instance, in New York City, in addition to the five big packers, there are seventy-five wholesale dealers and slaughterers; in Boston, besides the five big packers, there are thirteen large wholesale dealers and fifteen houses that buy from local slaughterers; in Fall River, in addition to several local slaughterers, there are four wholesale dealers, who either buy in carload lots or sell beef for other concerns on commission; in Providence, there are nine wholesale dealers, aside from the large packers, who buy or deal on the market and purchase in carload lots, and there are five local slaughterers; in Pittsburgh, there are twelve or more wholesale dealers and about nine local slaughter houses; in Detroit there are seven local packers, four sausage manufacturers, three commission houses and six car routes working the city, aside from the five big packers; in Philadelphia, in addition to the large packers, there are about a half dozen slaughter houses, as well as four or five wholesale dealers; in Altoona, there is one packing plant and three firms that buy in carload lots, about six wholesale dealers and two of the small packers operate car routes into the city; in Cleveland, there are ten local slaughterers, eleven branch houses, three car routes and four dealers who purchase in carload lots, besides the five big packers; in Memphis, there are six firms that buy in carload lots and about five wholesale dealers.

This is simply characteristic of the active competition

that Morris & Company has in practically every city in which it operates a branch house or a car route.

I would call your attention to the fact that the theory of the Federal Trade Commission, as to branch houses, rests upon a false premise. Their theory was no doubt very accurately stated by Chairman Colver in his testimony before this Honorable Committee, in the following language, to wit:

“That having been transported and the fresh meat arriving at its first destination, it is natural and reasonable to suppose that a proper freight house should be provided for its receipt and care, just as proper freight houses are prepared for the receipt and care of any other kind of merchandise that is sent over a common carrier; and that such freight houses should be open to all, on equal terms. But we found that these freight houses were not freight houses at all but were privately owned, and to a great extent privately owned by the five packers, to whom we are directing your attention, and the use of these facilities was not granted to competitors in the same line of business.”

This is certainly preposterous, if not absolutely ridiculous. Freight houses are not sales houses, and a common carrier is not required to, and should not, furnish sales houses. Just contemplate that for one moment. Think of a railroad company furnishing sales houses in every city of the Union for all classes of freight, for if this theory is sound as to fresh meats it is sound as to all other classes of freight. We submit that some other excuse must be found for taking over the branch houses, for this is, on its face, merely a subterfuge.

The big, significant fact stands out that *no wrongful conduct has been pointed out by the Commission in the management, or control, of the branch houses, excepting that the managers visit the coolers of their competitors*

to see what stock they have on hand. That is so perfectly silly, because the bill would not stop that, a legitimate practice and a thing that is indulged in in all reputable and properly conducted businesses.

The funny thing about that (if there can be anything funny on such a serious subject) is, the Government, through the Bureau of Markets, under the Department of Agriculture, makes daily and weekly printed reports of the market conditions in all of the big cities, and at this point, I would like to read from one or two of these reports, which give the prices and general conditions of the market. I would call your attention to the New York report of September 27th, which speaks of a "flood" of light western dressed steers and cows, of medium and common grades, which "not only *demoralized* the market on the poor grades of beef, but forced prices down on everything but choice meats." This is the language of the Government.

Thus one branch of the Government says that an agreement on the purchase regulates the amount of fresh meats shipped to the eastern markets and another branch of the Government says that these markets are frequently "glutted" and "demoralized."

I would call your particular attention to the fact that while the Federal Trade Commission takes the position that there is an agreement for the division of the buy of the live animal and this "automatically" regulates the sale of fresh meats, still the Department of Agriculture, in a printed report, tells you that the market was "flooded" and "demoralized." This is not an exceptional case. If the Committee thinks it is, it can easily ascertain that such is not the fact by calling some of the Bureau of Markets men, who have charge of this work, and

I am sure they will tell you that these eastern markets are frequently glutted and that the effect of the glutting of the market is to depress prices.

In fact, what I would suggest as much better, if it can be brought about, would be for this Honorable Committee to spend a day or two in New York City, visiting the various branch houses in that city, and you will then get the information first hand, and I venture the assertion, that if you will do this you will come away thoroughly convinced that this perishable product is sold on the market, under the law of supply and demand, and is sold in actual and active competition.

The Federal Trade Commission says that the managers of these branch houses exchange margins. I deny that statement. Our branch house managers have explicit instructions not to exchange information as to margins, not that it would be illegal or even improper to do so, but that course of conduct has been criticised in the past and we want to be above criticism in that respect.

On that point, I want to give this Committee another bit of information, and that is, that in the past the packers were criticised for having too high a figured, or test, cost, the theory of certain branches of the Government being that this was used as a means to keep up the price of fresh meat by requiring the managers to try and make a profit on an exaggerated figured cost. Accordingly, in order to meet that criticism, almost a year ago, Morris & Company changed the basis of its figured cost so as to count in all of the by-products at the actual market value at the time of slaughter. This does not give the actual cost, because the actual cost could not possibly be ascertained, as these by-products are sold in the future and the market in the meantime may either go up or down, but we

wanted to make the figured cost as near actual as it is humanly possible to do, and so that we would be absolutely above suspicion on that account.

To show you that it is perfectly silly to say that a fixed percentage of buy of the live stock will in itself, "automatically" regulate the sale of fresh meats, I would call your attention to the varying prices obtained in our different branch house markets in the same city, as we have taken these figures to cover the period from the time that our cost was put upon the supposed actual basis to December 31, 1918. Our books will show in the three Brooklyn markets for that period of time the following: The Dahlman market will show a loss of \$1.12 per 100 pounds; the Morris & Company Brooklyn market will show a loss of 87 cents, and the Brooklyn Beef Market will show a loss of 89 cents, and yet these three markets are all on the same street in the same city.

When we look at the figures in New York City we find that the Gansevoort market shows a loss of 61 cents, the Manhattan market a loss of \$1.36, and the other five markets show a loss ranging from \$1.14 to \$1.42.

The daily and weekly fluctuations will show a greater difference.

How can this possibly be explained if there is an agreement on percentages of "buy" and this agreement automatically regulates and controls the price for which the meat is sold? I say to you, in all seriousness, that this is perfectly preposterous and any practical packing house man will tell you the same thing. It cannot be done. No two animals dress out the same. No two cuts of meat are the same. These butchers who buy this meat know the meat, its quality and its conditions just as well as the branch house managers know it. This is a perishable

product. The amount on hand, the weather and many other conditions enter into and make up and control the market, and I venture the assertion that this Committee will be thoroughly satisfied on that score if it can only obtain close personal touch and observation with the business itself and see how it is conducted.

If this Committee can personally inspect the conduct of this business in a large city like New York or Boston, it will be readily convinced that the branch house is absolutely essential to the packer in the distribution and sale of his meats and also that it is to the interest of the producer that these meats be handled promptly, so that the packing houses will be run to their full capacity and the packer be in a position to purchase all of the live meat animals that are shipped to the market. To take the branch houses from the packer will simply demoralize and destroy this industry. And when you see the function that the branch house performs in this industry, I say to you, seriously, that you will be convinced that there must be some reason back of this bill other than to regulate and correct any possible wrongs in the conduct of the branch houses themselves.

Scope and Construction of the Bill.

It is not sufficient to merely describe the different instrumentalities covered by this remarkable bill, or to show that no "live stock pool" exists. It is also necessary to consider the scope of the bill itself, for this is not a war measure, but is intended as a permanent law in times of peace.

It would be idle to speak of what is, or is not, intended by the proponents of the bill to be done under the bill. The only question of importance is, what can be done

under its provisions, for, ordinarily the maximum power will be exercised, for power feeds upon power.

As a peace measure, this bill is radically revolutionary as compared with anything on the statute books at the present time. This bill, if enacted into law, would authorize a President to do anything he pleased with the packing industry and all of its instrumentalities. There can be no possible doubt but that he would have full power to destroy absolutely this great and efficient industry. Of course, it goes without saying that a President of the United States would want to do the right thing, but the trouble is it could not be expected that he could give his personal attention to details such as the operation of branch houses. Consequently, he would have to depend upon his agents, or persons appointed to look after this business, for advice. If such an agent should happen to have socialistic tendencies, or not possess business ability, or not be familiar with the details of this business, disaster would result from his theories or incompetence and this fine system of distribution would go to rack and ruin. So when the bill speaks of the President having certain powers, it must certainly be borne in mind that this power will be exercised by certain political appointees.

Under the bill, the President is authorized to acquire, by purchase, lease or condemnation, "through such agency or agencies as he may designate", all of the packers' instrumentalities, of every kind and description, outside of the packing houses themselves, including stock yards having receipts of over five hundred thousand head during the year 1917, and also the terminal belt railroads, exchange buildings, rendering plants, serum plants, market news services, "as he may deem necessary or appro-

priate" (and he is the sole judge as to what is either "necessary" or "appropriate").

Then he is given the power to acquire, construct or establish, again "through such agency or agencies as he may designate" such additional facilities "as he may deem necessary or appropriate" (again he is the sole judge as to what is either "necessary" or "appropriate").

Then he is authorized to acquire real estate "through such agency or agencies as he may designate" for the development of such stock yards or other facilities, or "for the location thereon of packing houses, rendering plants, serum plants and other establishments or facilities for the preparation and manufacture of meats and other products derived in whole, or in part from live stock, or to lease or license the use of such real estate * * * upon such terms and conditions as he may deem necessary or proper" (there being no restriction or limitation whatever on his power as to the terms or conditions of such lease).

Then he is given the power to operate for the United States, "through such agency or agencies as he may designate", the stock yards, refrigerator and stock cars, storage and marketing facilities, upon payment of such charges and upon compliance with such conditions and regulations as may from time to time be prescribed by him, or such "agency or agencies as he may designate for that purpose."

Then he is given full power to fix the fees, terms and conditions of any lease or license of said properties, at the same time declaring that refrigerator and live stock cars must be operated by the United States.

Then the bill provides that all persons, firms or corpo-

rations engaged in the business of stock yards, or engaged in the purchase, manufacture, storage or sale, in interstate, of live stock or products derived therefrom, shall operate "exclusively" under the license of the President "through such agency or agencies as he may designate and upon such terms as he may prescribe, and under such regulations as may from time to time be prescribed by him, or with his approval, by such agency or agencies as he may designate."

The bill then provides that the President may form a corporation for the holding or operating of the properties covered in the bill.

Then the bill provides for an appropriation of Five Hundred Million Dollars, with which to purchase any of these facilities, properties or real estate.

It is necessary only to very casually consider this bill to ascertain that a President could put the present owners out of business in several different ways. In the first place, he could license the present properties on any terms that he might see fit, making the business unprofitable to the present owners, and turning the license fees into the Treasury as part of this revolving fund with which to buy real estate for a competing packing plant, and, when purchased, this real estate could be leased to a competitor on *any* terms a President might see fit.

In other words, the "bridle is off" and a President, with complete ease, under this bill, could destroy these properties, and without intention on his part in that direction. That could be accomplished by intention of "such agency or agencies" as he might appoint under this bill, or by mere inefficiency on the part of such "agency."

He could refuse license to the five big packers, or any of them, for the cold storage plants or branch house mar-

kets. Then he could use any number of the cold storage plants or branch houses now owned by the packers, and refuse to operate the others. These branch houses are built especially for this business and would be rendered practically useless if a license should be refused, or the license could be upon such onerous terms that the present owners could not afford to operate.

I say that no more vicious bill could be drawn by the shrewdest of attorneys paid for the express purpose of putting the present packing companies out of business. This is not legislation. It is only a little more polite way of doing what they are now doing in Russia in another way. The present packers could be made to advance the money by way of license fees to "such agency or agencies" with which to build competing plants on land bought with the packers' money.

Query.

When this whole situation is looked squarely in the face we are inevitably led to the question, what does this procedure mean? The President's letter asked the Federal Trade Commission to investigate the whole food situation, including production, manufacturing, marketing and distribution, but after two years of sensational and expensive investigation we find only the five big packers have been investigated (the investigation of the small packer being merely to discover, if possible, but without avail, some illegal or unfair practice by the big packers in their relations and dealings with the smaller packers) and this investigation of the big packers was with the apparent sole purpose of finding something criminal. The report deals with old, dead history, but has absolutely no tangible evidence of anything illegal.

The one fact that the Commission, with all of the resources of the Government at its command, could not find a single employe of these packers, and there are thousands upon thousands of them, who could throw any light upon either the existence or the workings of a "live stock pool" simply *demonstrated* that no such pool exists. Then the report, although made by a branch of the Government, supposed to guide and assist business, is made up of the most violent and extravagant language, using adjectives, but not citing facts and figures, and drawing the most unfair deductions and conclusions. Neither the investigation nor the report were constructive; in fact, could not have been, as they touch upon only one part of the great scheme of production, manufacture and distribution of food products.

Even this report shows that the profit of the packer is reasonable, something like four per cent. on the turnover, *according to the Commission*, and that, after all, tells the whole tale. That includes all of the five big packers. I say to you that the Morris profits on the turnover have been less than two per cent.

Whether this bill represents merely an organized effort to "get" the packers, the undisputed fact remains that this bill, if enacted into law, will place this great industry at the complete mercy of all future administrations. Just contemplate for one moment the ability this law would give to any administration to entrench itself in power. Just contemplate the power during an election. And yet we are now building for the future. Possibly this is the form of law that is to give us the "Golden Age" which we all hope we are approaching with our new era of thought and action, but if this is good law for the packers, then it must be good law for everybody else, which means that the Government is to control, if not own and operate,

all manufacturing and the markets where all goods are distributed and sold. Where would you draw the line? It is an easy matter to start a fire, but much harder to put it out.

As this whole food problem is so intimately interwoven with the welfare and destiny of our people, it is exceedingly unfortunate that this investigation was not fair, and above all things else complete; that it did not take in every phase and step of meat food production and distribution, so that you gentlemen in the legislative branch of the Government would have something solid on which to build for all time.

There is a much greater problem involved than merely to "get" the packers. The packers are efficient and their profits are low, so that if the people are to get their meat at lower prices relief must come from some other quarter. On the other hand, if live stock is too low, as some would have you believe, then the live stock people should want to demonstrate that to the consumer, because high raw material necessarily means high finished product. When it is demonstrated that the packer makes but the fraction of one cent per pound profit, the people are not going to be fooled always with this false cry against the packer. In fact, what the great mass of people want is either to know that there is no fault in an economic way, with the present costs and prices, or if there be a fault to have it located and remedied. They want the whole story and then something constructive—not destructive. The packers stand ready to gladly remedy any wrong or error in their business that may be pointed out.

If American citizens, by strict personal attention to business, after building up an industry and getting it on

an efficient basis, making less profit than any other big industry in this country, and after performing a great service to the country and the general cause of liberty and freedom, must turn over that business to others, then what incentive is there for any young man of this country to go into business? For instance, if stock yards, after being developed to the point of five hundred thousand head per year, are to be turned over to the Government, then what incentive is there for anybody to go out and build up additional stock yards near production? It would be well for the stock man to ponder on these things and realize what is in fact involved in this bill.

Again, if this bill, and the action of the Federal Trade Commission in this investigation, represents the guidance and assistance which business is to get from our Government, then how can you expect business to go out and get the markets of the world for American labor? Yet in the countries of our Allies we see the Government standing right back of business, bringing up efficiency and cutting down costs so that they can go out and capture the markets of the world. Everybody in this country must realize that the country cannot continue to be a market for itself, that only big business men can go out and get the markets of the world, and this big business must be upheld and sustained if it is to do this and at the same time maintain the present standard of wages. Why build the merchant marine, if business is to be stricken down as this bill would contemplate? But it means something when any branch of our Government stands sponsor for a bill of this sort. But what does this mean? Does it merely mean State Socialism? Or does it represent the desire of the Commission to protect the future against monopoly, even if it helps the wholesale grocer and hurts the consumer, because of fear

aroused by the "tendency" to put the wholesale grocer out of business? Or is it simply politics, it being popular in the past to hunt the packers?

In any event, I submit, that the situation presents a question for very serious thought on the part of any one who has the interest and the future of his country at heart. Without speculating as to just what influences are back of this bill, it is sufficient to say that it is neither constructive, nor corrective, and is absolutely vicious, and there is enough in the situation at least to defeat it in principle and without regard to the parties directly affected thereby.

Market Committee of The American National Live Stock Association.

Mr. Walter L. Fisher, the paid advocate for the Market Committee of the American National Live Stock Association, told you that this Market Committee was responsible for the investigation made by the Federal Trade Commission, that the American National Live Stock Association stood squarely back of this bill, and until the contrary is shown, I shall accept this statement as properly fixing responsibility in this regard. There is food for thought in that statement for the consumer, because this organization says it wants higher prices for the live meat animal and this, necessarily, means high prices for the finished product.

A resolution of this Market Committee was introduced, approving the report and recommendations of the Federal Trade Commission, and which was signed by seven gentlemen. I now charge that every man who signed this resolution is very wealthy *and that they made their wealth out of the sale of live meat animals.*

Mr. Fisher stated that he was consulted as an attorney by these people several years ago. He also told this Committee that he refused to have anything to do with the matter unless, and until, a "fund" was collected. It was not explained why he wanted this "fund," the amount of it, or what has been done with it. But my information is (and I wish to be corrected if mistaken) that this is a "fund" of approximately one hundred and fifty thousand dollars collected annually by the Association. It will not be contended that the gentleman who recommended the "fund" is not perfectly capable of knowing exactly when, where and how to use such a "fund" and he must have had in mind some use for the fund, because it was his recommendation.

I do not charge, or even intimate, that this fund was used for any improper purpose, but its size would make it rather dangerous if it should happen to get into any improper channel. I have known for some time that some financial life blood has been responsible for the propaganda which has been sweeping the country against the packing interests. The origin thereof has always been a mystery to me. Whether this One Hundred Fifty Thousand Dollars fund has been the inspirational source of the Anti-Packer crusade, I do not know.

Possibly if this Committee should order an investigation or if the Federal Trade Commission should feel it its duty to make such an investigation the results might be interesting.

If the result of this investigation should be as I imagine it is not improbable that hundreds of small stock raisers might feel that their annual contributions to their association have been diverted from the purpose for which they were led to believe they would be used, a pur-

pose directly antagonistic to their own best interests. In my judgment, the majority of the stock growers of America are conservative citizens not in favor of radical destruction legislation.

I have no objection to the American National Live Stock Association having a Market Committee, even if the work of that Committee is to market the live stock of its members to the best advantage, going to the extent of keeping in touch with the different live stock markets, preventing unusual runs and doing all that can be done to legitimately protect the interests of the members of the Association.

I also want it clearly understood that I make no charge against or fight with the individual producers of the country. I have the highest respect and sympathy for the great mass of live stock men. I want to co-operate with them and I do not believe that they know what is going on or what the effect of this bill will be if enacted into law. In my judgment they have no real information as to what use is being made of the yearly contribution of One Hundred Fifty Thousand Dollars.

Suppose, however, the Federal Trade Commission had found that the packers had raised a fund of One Hundred Fifty Thousand Dollars, or even a fund of one-twentieth of that amount, **FOR THE PURPOSE OF RAISING THE PRICE OF THE ARTICLES THEY SELL?** Would the fact that it was raised voluntarily rob it of any odium?

Would not a wave of denunciation, in and out of Congress, have swept the country?

Would we not have been denounced for attempting to "further gouge the public?"

Would not the fact that at this time the feeding of the world is one of the world's great problems, that millions of people in Europe are facing hunger, have been thrown in our faces?

Would we not have been denounced as profiteers of the vilest kind, preying on the necessities and sufferings of humanity?

I have heard no criticism of this Market Committee fund of One Hundred and Fifty Thousand Dollars annually, possibly because the public is not aware of it.

I trust that when the consumer learns that this attack on the packers is the acknowledged work of seven wealthy men who desire higher prices for their product they will finally reach the just conclusion that the packer is not guilty of the sins charged to him.

It is high time the people should know the source of this Anti-Packer propaganda, that its main spring is not the good of the public but the selfish interest of a small quota of men who are using their power as heads of an organization to profit therefrom.

I have no grievance against these Subtle Seven because of their great wealth, but I have a perfect right to cite these facts as refuting the charge that the packers are unlawfully controlling the prices paid for the live animal.

Points of contact some times are extremely illuminating. Mr. William Kent, the millionaire partner of Mr. Burke (one of the moving spirits in the Market Committee) called on President Wilson, secured a letter from him to the Federal Trade Commission directing that Commission to investigate the food problem, took the letter to the Commission and the correspondence was read into the record.

When the investigation started, Mr. Heney of California, a friend and neighbor of Mr. Kent, appeared on the job and no fair minded man who has read the record will contend for a moment that Mr. Heney was "put to work" or has labored for any constructive purpose.

I wonder if the average stock grower realizes the fact that this Market Committee is not representative of the United States as a whole or of the entire stock raising industry. Its dominant members are all from west of the Mississippi and the hog growers have absolutely no representation on this powerful little coterie, although during the war they did more than any other branch of the industry to increase production.

I cannot speak for the others, but so far as I am concerned, I am thoroughly tired of this cry of "stop, thief," on the part of this Market Committee. I do not believe it represents the real sentiment of the great mass of producers in this country. But in the final analysis I cannot see how the consumer can be satisfied with a bitterly partisan investigation of the packers at the instance of these cattle men, who, admittedly, want higher prices for their live stock, which could only result in higher prices to the consumer. Is only the producer to be considered, or is the interest of the consumer also to be consulted?

But the testimony of Mr. Burke before this Committee is very interesting and enlightening in many respects. He gives us some valuable facts. For instance, he was asked as to his prices and profits, the following question by Mr. Hamilton:—

"How do the prices of your stock sold on the market range during the last year—higher than heretofore?"

Mr. Burke: Oh, yes, tremendously so. The general plane of prices is higher.

Mr. Hamilton: Have you made more money out

of your cattle than you ever made before the last year?

Mr. Burke: During 1917 and 1918 the business has been more profitable than it ever was before, very much more so."

Now, seriously, isn't the consumer entitled to know what those profits were, or has the consumer no place in this matter? Has this been staged exclusively for this Market Committee? From the lips of Mr. Burke, even though the consumer pays for it, we find that the prices for live stock have been "tremendously" higher during the last two years and "the business (of the live stock men) has been more profitable than it ever was before."

Still they are not satisfied. This little bit of evidence is helpful as a starter, even if the Federal Trade Commission would not investigate this branch of the food problem.

But will Mr. Burke, and the other members of this Market Committee, throw their books open to inspection, that the extent of their poverty, caused by these wilful packers, can be ascertained? Mr. Burke, will you be really honest with this Committee and disclose your total profits and the profit per head? I am informed you "ducked" the proposition of showing your books once before. Will you do it again? The packers' books and records have all been inspected. How about the producers? Let us have the other side of this controversy.

Then Mr. Burke was asked whether the law of supply and demand entered into that (his increased profits) and his answer was "Oh, surely, tremendously. The general plane of prices, of course, is controlled by the law of supply and demand. The packers are working within that law over short periods. The packers' control is working over the short periods." (See page 491.)

Mr. Burke certainly forgot his lesson at that point. If a packer should testify that the law of supply and demand regulates the prices paid for the live animal, somebody would want to indict him for perjury. Yet, Mr. Burke told the plain, unvarnished truth. Now, by Mr. Burke, there have been established two very important points, first, that the producers during the last two years have made the largest profits in the history of the business, and, second, that the packers, in their purchases, are governed by the law of supply and demand. Would it not be at least illuminating to know what the profits of the producers were? Unfortunately for the consumer, when it comes to investigations, there is one law for the producer and another law for the packer.

Mr. Burke put his stamp of approval upon another very old and well recognized proposition, to the effect that higher live stock meant higher meat cost to the consumer.

And the American people should now know all the exact facts. There should be no mistake made as to the issue involved in this bill. It is clean-cut and unmistakable. It is whether this little group of selfish men can dictate and extort fabulous prices for the live animal, and at the same time make the packer and the consumer like it.

This last year Morris & Company paid \$259,398,767 for live animals and received but \$173,731,902 for the meats and meat food products, and \$625,524 were paid for diseased animals that were condemned. It can only be estimated but it is a fact that millions of dollars were paid by all of the packers for "fill," that is, water given to the animal just before being weighed to the packer. The producer is paid for diseased animals the same as for sound

animals, and the producer is paid for this water, or "fill," the same as if it were meat. And yet they would have you believe that this Market Committee is not in politics at Washington. Results are what count. Every law of this character is in the interest of the producer, and in many instances the interest of the consumer is ignored. Where does the public come in on this proposition? Who, in the end, pays for this "fill" and these diseased animals? We have wanted in good faith to co-operate with the producer, as we should, but in return we have been drawn and quartered every day for the last two years by this Federal Trade Commission and now this Market Committee boasts of its responsibility for such things.

Then Mr. Fisher tells this committee that a former member of the Market Committee is now a respected member of the United States Senate. I have nothing but words of the highest praise for both the integrity and patriotism of Senator Kendrick, but the fact remains that we must now appear before his committee and argue the merits of his bill, which would make it possible to take a license from the packer if he did not pay what the party charged with the enforcement of this bill thought was a proper price for live stock, and be sent to prison for good measure.

And they say that the packer is interested in politics. I reply that the first thing to do is to get this Market Committee out of politics, where it has no place, dissipate this mysterious "fund," and let the committee confine its activities in the future to the field of business, where it legitimately belongs.

The effect of what has been done by the parties handling the campaign against the packers has been to drag in personalities in the hope of beclouding the issue

and fooling the people. The people have now listened to this sort of thing for more than two years, and I insist that they should now become familiar with the great basic facts in this great food problem before this great industry is entirely destroyed. Possibly these propagandists have succeeded in creating a feeling that there should be some legislation against the packers, but I say let us now have a show-down all around, which we have never had, and which I do not fear. So far as I am concerned, we "are ready for the test."

Listen to some more illuminating testimony from the lips of Mr. Burke:

"Mr. Hamilton: The higher price you can get, of course, the more the meat costs the consumer?"

"Mr. Burke: Naturally." (See page 495.)

And yet if the consumer is interested he will note that Mr. Burke and his Committee are responsible for this investigation by the Federal Trade Commission, and all they want is higher prices for their live stock.

But Mr. Burke's views on profits are very interesting.

"Mr. Winslow: What would you feel was a fair net return or percentage on your investment?"

"Mr. Burke: Under some kind of guarantee—oh, I should say eight per cent would be all right." (See page 498.)

You see Mr. Burke wants a "guarantee" and eight per cent. The packers were never given a *guarantee* of any sort and Morris & Company never have averaged that amount of profit.

Mr. Doremus called Mr. Burke's attention to the fact that bacon in Washington during the last year sold from sixty to seventy cents per pound. To this Mr. Burke replied as follows:

"I am free to say, I think that is too much margin

between the price the producer gets and the price the consumer has to pay, and there is a lot of slack in there which can and should be taken out. But the retailer comes in there; *his problem is a very important one to be considered as well as the packer. It is a matter that should be very carefully investigated, and means taken to eliminate a lot of that slack.* (See page 515.)

Mr. Burke and his Committee claim credit (if it be credit) for the investigation of the Federal Trade Commission. He said before this Committee, "but we finally got the investigation ordered by the President in February or April, I forgot which, of 1917." Why did he not have the retailer investigated if his Committee has such great power in Washington? Why did he not have a big, broad, constructive investigation? Possibly it was because of their greater desire to get the packers than to get the truth.

In the final analysis, I cannot see how the public can be satisfied with a bitterly partisan investigation of the packers at the instance of these cattle men who, admittedly, want higher prices for their live stock, the only effect of which would be higher prices to the consumer. Is the producer only to be considered, or is the interest of the consumer also to be consulted?

BANK HOLDINGS.

Another thing: The Federal Trade Commission would create a feeling against the packers, because of their bank holdings. I say that it can be clearly shown that the live stock men of this country have infinitely more bank stock than the packers. And these producers would have something to say about cattle loans, when certain members of this Market Committee themselves deal very

extensively in this paper, charging just as high a rate of interest to their fellow producers as any bank in the country.

THE KENDRICK BILL.

The Kendrick Bill, pending in the Senate, to which I am unalterably opposed, provides for licensing the packers, an obvious subterfuge for ultimate Government ownership. This bill not only gives power to the authority charged with its enforcement to limit profits, but goes to the extent of requiring the packer to buy the live animal whether he needs it or not or could handle it in his packing house at the time. The bill, however, fails to provide any means of requiring the cattle man to sell his wares in case of shortage of meat animals on the market.

Another obnoxious feature of the bill is the section providing that an individual, without conspiring or combining with any one else, can be guilty of violating the act in the purchase of the live animal or the sale of fresh meat: that is, if the party charged with the enforcement of the act should think that not enough was paid for the live animal or too much was obtained for fresh meats, the license under which he operated could be taken away and he in addition could be sent to prison.

Report of the Federal Trade Commission.

With your kind permission, I would like to say something with reference to the report of the Federal Trade Commission on the Meat Packing Industry, because, as I am informed, this bill is based upon that report and was prepared under the direction of the Commission.

I would first call your attention to the fact that the letter of President Wilson directed the Commission to in-

investigate the "production, ownership, manufacture, storage and distribution of foodstuffs and the products and by-products arising therefrom." Yet this Commission has devoted practically two years to an *ex parte* investigation of the five big packers alone. The letter from the President covered food products generally. But the Federal Trade Commission saw fit to limit its investigation to only one branch of meat foods, and in its investigation of meat foods the Commission made no investigation whatever into either the production or the distribution, excepting insofar as it directly affected the five big packers. If there was to be an investigation at all, and especially if it was to be the basis of constructive legislation, it should have been a fair and complete investigation of the entire subject, so that Congress would know whether the proper economies are being practiced in the production of the meat food animal, and also in the distribution and sale of the finished product. In other words, the Commission should have followed the calf from the farm to the table of the consumer.

Please understand that I am not lodging any complaint against, or criticism of, either the producer or the retailer; but I am making the simple indisputable statement of fact that the investigation did not include either, and it necessarily should have included both, if some big, constructive, permanent legislation was to be brought out of, and built upon, the investigation. It is for the Commission to say why its investigation did not cover both the producer and the retailer.

The extravagant language of the report itself shows that the investigation was not only *ex parte*, but was bitterly partisan and unfair, and was made for the purpose of "getting" the five big packers.

In its report to the President, on July 3, 1918, the Commission says that the five big packers "employ practically every tried method of unfair competition known to this Commission and invent certain and ruthless methods to crush weaker concerns." Yet this branch of our Government, in thus speaking of a great industry that had just rendered this country and its Allies a great service, did not point out a single "weaker concern" that was "crushed" and did not cite any "new and ruthless methods." The chief characteristic of the report itself is, that it contains a great many high sounding adjectives, positive statements, unsupported by facts and figures, and unjust deductions and conclusions. As to the great controlling question, that of profits, the Commission, in its report, stated that these five packers did "extort excessive profits from the people," and the Commission tried desperately to make this appear from the figures, and yet when they are properly analyzed, it is shown, even by the figures of the Commission, that these packers make a smaller margin of profit than any other big industry in this country.

The gist of the report is, that there exists between the five big packers a "live stock pool," which the Commission charges is an agreement between them to buy the live stock according to a fixed and definite percentage. This is the basis of the whole report. This is the foundation on which all of the conclusions of the Commission in its report are based. This is made very clear on pages 12, 24, 25, 28 and 77 of part 2 of the report. The report is also to the effect that this agreement is "automatic," regulating not only the purchase of live stock, but the sale of the finished product. The report in one place says that this agreement originated in, and grew out of, the old Veeder pools, and in another place it is stated that

the origin of this pool was near the beginning of the National Packing Company, which was in 1903. In either event, the report of the Commission is to the effect that this automatic arrangement was in existence in the year 1903.

As an entire report, and all of its conclusions, are based entirely upon this "live stock pool," it, therefore, necessarily follows that if this pool theory is knocked out, then the entire report of the Commission, and all of its charges, fall hopelessly to the ground.

I have six distinct and separate answers to this charge, which completely and effectually dispose of the so-called "live stock pool."

My first answer is, most positively and unqualifiedly, that no such pool exists, and I would necessarily know it if it did exist, and the Federal Trade Commission has no living witness to the contrary.

My second answer is, that if there were any such "live stock pool," it would necessarily be reflected in the price paid for the live stock, because it concerns live stock, and because the Federal Trade Commission reports that these five big packers are "ruthless" and greedy. Where men are ruthless and greedy they do not form an illegal combination to hurt themselves. The object of all such illegal agreements is to get some undue benefit and advantage, and there could be no advantage in this case unless it would be in the price itself, that is, by depressing the price to be paid for the live stock.

Now let us see what the indisputable facts are. The average price paid by the packers during the year 1914 for native steers was \$9.90 per one hundred pounds; in the year 1915 it was \$9.57; in the year 1916 it was \$10.42; in the year 1917 it was \$14.17; and in the year 1918 it was

\$16.25, the top price in 1914 being \$11.55, and the top price in 1918 being \$20.50.

The average price for light steers in 1914 was \$9.25 per one hundred pounds; in the year 1915 it was \$9.42; in the year 1916 it was \$9.30; in the year 1917 it was \$12.60; and in the year 1918 it was \$14.62, the top price in 1914 being \$13.00 and the top price in 1918 being \$20.25.

The average price for hogs in 1914 was \$8.27 per one hundred pounds; in the year 1915 it was \$7.37; in the year 1916 it was \$9.05; in the year 1917 it was \$14.87; and in the year 1918 it was \$17.47; the top price in 1914 being \$10.15, and the top price in 1918 being \$20.95.

The average price paid for native sheep in 1914 was \$4.75 per one hundred pounds; in the year 1915 it was \$5.50; in the year 1916 it was \$6.62; in the year 1917 it was \$9.50, and in the year 1918 it was \$10.00, the top price in 1914 being \$7.00, and the top price in 1918 being \$17.50.

The average price for lambs and yearlings during the year 1914 was \$7.25 per one hundred pounds; in the year 1915 it was \$7.50; in the year 1916 it was \$9.75; in the year 1917 it was \$13.75, and in the year 1918 it was \$14.75, the top price in 1914 being \$9.50, and the top price in 1918 being \$21.50.

These figures are actual, and I defy the Federal Trade Commission to disprove them, and they give a complete answer to the charge of the Federal Trade Commission that there was an illegal combination between the five big packers to control the price to be paid for live stock on the hoof, through an agreement to buy a certain fixed and definite percentage of the live stock.

How would it be possible for these five big packers to have an illegal combination on this subject, when the Commission reports that they are a monopoly in the in-

dustry, and still not depress prices? If there was the live stock agreement that the Federal Trade Commission would have you believe, then I would like to ask what that was for? It necessarily was for the purpose, and the only purpose, of depressing prices. And yet for the last ten years we have seen prices increase by leaps and bounds and today they are paying the highest prices for live stock on the hoof that has ever been paid in the history of the industry.

My third answer is, that if five parties constituting a monopoly in a certain industry has an illegal agreement for the purchase of its raw material, and to depress the price thereof, and which agreement is "automatic" and also regulates the sale of the finished product, then, necessarily, that agreement would be reflected in the profits of the business. This is just as plain as the nose on a man's face. It is susceptible of demonstration just the same as that two and two make four. Yet I say to you most positively and unqualifiedly that the net profits of Morris & Company for the last five years have averaged only 1.54 per cent. on the turnover, and has been a fraction under a third of a cent per pound, the average profit per one hundred pounds in the year 1914 being 26 cents; in 1915, 25 cents; in 1916, 32 cents; in 1917, 40 cents, and in 1918, 26 cents. The profit per head in the year 1914 was 53 cents; in 1915, 55 cents; in 1916, 73 cents; in 1917, \$1.11, and in 1918, 83 cents, the average for the five years being 77 cents. During each of the last five years Morris & Company has paid, in the shape of dividends, an average of 1.5 per cent. on the amount of its capital and surplus. The balance has gone back into the business. The profits of Morris & Company for the fiscal year ending November 2, 1918, was 7.24 per cent. on the total capital invested, including borrowed money, or 9.39

per cent. on the money invested by Morris & Company itself in the business, *and I defy the Federal Trade Commission to show to the contrary.* And I say to you that this is not only an effectual, but a convincing answer, to a charge that is built solely upon theory and not upon facts. And if this Honorable Committee has any doubt about the accuracy of these figures we will gladly submit all of our books and records to any reputable, chartered accountant which the Committee may appoint for verification, or our Secretary will submit to examination by this Honorable Committee on this subject.

My fourth answer is, that if there was an agreement originating in the year 1903, fifteen years ago, the Federal Trade Commission, with all the resources of the Government at its command, would have located at least one employe for these five concerns, and there are thousands upon thousands of them (some of them, discharged and dissatisfied), who would have been able to give one tangible bit of evidence to the effect that such agreement was in existence, or would have been able to give the workings of such an agreement. It is absolutely impossible to conceive of such an agreement being in existence and not known by some one of the thousands of employes of these five companies. Some of the buyers would necessarily have to be let in on such an agreement. Yet the report, on page 44, is to the effect that not a single employe was located who could "tell how it is managed."

My fifth answer is that the Government has representatives of the Bureau of Markets, under the Department of Agriculture, in all of these various yards, whose duty it would be to discover such an agreement, if one existed, and I say that it would be physically and absolutely impossible for such an agreement to be in existence, for such

a length of time, at so many yards and these representatives of the Government not be able to detect it.

My sixth answer to this unfounded charge is, that the same charge identically, and covering some of the same time, was made by the Government in the trial of the case against the packers in the City of Chicago, which commenced December 6, 1911, and ended March 27, 1912. After hearing all of the evidence, which included all of the tables now relied upon up to January 1, 1912, twelve good men, and true, by a unanimous verdict, found the packers not guilty.

I want to say to you, where a charge of this sort, in which the Federal Trade Commission admits that it has no evidence whatever of any meetings and has the testimony of no employee to substantiate the charge, and where the charge is built upon theory alone, and which was knocked out in a court of justice, that any one of these six answers constitutes, in itself, a good and sufficient answer, and so I say that with this charge knocked out, the entire report amounts to nothing whatever, because this is practically all that there is to the report.

In that connection, I would call your attention to the fact that the Federal Trade Commission has not unearthed anything new, but has simply revamped the old charges, with a little additional theory that uniformity of purchase of live stock would "automatically" regulate and determine the price to be obtained for fresh meats, and which, I think I will show a little later to your entire satisfaction, is perfectly silly and ridiculous.

This question of the alleged uniformity of purchase is not only not new, but I say that this entire question has been fully adjudicated in a court of justice and by a jury in favor of the packers, because the purchase of

these packers was introduced from the year 1903 up to, and including, the year 1911. And how is it possible to establish any guilt, or wrong doing, by an *ex parte* and partisan investigation where the same figures have been fully adjudicated and passed upon by men, under oath, and in favor of the accused? The alleged "1910 arbitrary" that is referred to in the report of the Federal Trade Commission was involved in the trial of 1912.

Of course, the Federal Trade Commission has shown all of these figures in percentage, because it apparently shows a closer uniformity where there is such a tremendous volume as there is in the packing industry. But this Honorable Committee must understand that one point, or even a fraction of one point means a very large number of cattle in the buy of these five packers.

While it is perfectly clear that the conclusions and recommendations based upon this report must fall to the ground and be ignored because resting upon this false premise that the tables of purchase prove combination or wrong doing, still there are certain other features of this remarkable report that I will refer to. The Commission makes it very plain and positive that this supposed pool works "automatically." They are required to take that position because they admit that they have absolutely no evidence of any meetings whatever. Let us consider that for one moment. If the mere division of "buy" of the five big packers settles the whole question, and for all time, so that there need be no meetings and so that it works "automatically," then necessarily all that is needed is one buyer at each of the yards to take over his quota or percentage. But that is not the way it is done. The Commission, on page 42 of its report, states that each packer has "an elaborate

system of private telegraph wires—with several thousand messages sent and received each day, supplemented by a larger use of the telephone and of yard messengers at all markets.” And even with this great and complex system, the Commission, on the following page, “let the cat out of the bag” when it states that the head buyer “must change his plans quickly to offset the uncontrollable actions of small packers, order buyers and speculators.” How is it possible that the actions of these other buyers is “uncontrollable” if these five packers have an absolute monopoly, as contended?

But there is one other big fact in connection with the trial of the packers in 1912, to which I would direct the attention of this Honorable Committee. In that case the Government took no such absurd position as that now taken by the Federal Trade Commission, to the effect that a fixed percentage of the “buy” will, in itself, “automatically” regulate the sale of the finished product. The Government took the position that the packers wrongfully had a figured, or test, cost, and, apparently, was honestly of the opinion that the packers should have an actual cost. However, it was made very plain in that case, even to the unwilling, that it was physically and absolutely impossible for any packer to have an actual cost.

To illustrate: the packer will buy fifty head of cattle on the hoof, for cash. He does pay just the same for the unsound as the sound. He does not buy subject to condemnation. The producer and not the consumer gets the benefit of that law. But, in addition to this, no man can tell just how a bunch of cattle will dress out. Expert buyers can take a pretty fair guess at the proposition, but even they are fooled sometimes. The insurmountable

difficulty is, that while cattle will ordinarily dress out about fifty-two per cent. meat, it is physically impossible to tell what will be obtained for the remaining forty-eight per cent. of the animal—the casings, hide, fat, hoofs, horns, tail,—that is the by-products,—because the most of these products are sold in the future, some of them a year or more after the animal is slaughtered. In the meantime, the price may go up or down.

So that it must be self evident that the actual cost of the fresh meat cannot be ascertained. Consequently, there must be a figured, or test, cost. In the Chicago trial, when the small packers testified it was developed that even though they do not utilize to any great extent the by-products, even they had a figured, or test, cost. The Government in that case spent a vast amount of money to prove that the packers, through this test cost and system of margins ancillary thereto, regulated and controlled the sale of fresh meats. As the evidence developed in that case it was also made very clear, to any open mind, that a *perishable* product must be sold on the market. After the testimony of the branch house managers and butchers was heard, the jury evidently was convinced that the figured, or test, cost, was not the means of carrying out any illegal combination in the sale of fresh meats. Evidently our Government has reached the same conclusion, because it has now manifested a desire to require the packers to install a uniform accounting system, with the same cost.

In other words, the Government now wants the packers to do the very thing that the Government prosecuted them for in 1912 as criminal.

In passing, it might be said that in 1912, the Government was just as convinced that the figured, or test, cost

was the means of an illegal combination for the sale of fresh meats, as the Federal Trade Commission, apparently, is now convinced that the alleged "live stock pool" is the means of regulating not only the purchase of the meat animal, but the sale of fresh meats.

The significant feature of this historical fact in connection with the prosecution of the packers by the Government for maintaining a figured, or test, cost, with margins, is, that the Federal Trade Commission was driven from the use of the figured, or test, cost and margins, in its strenuous effort to build up a case against the five big packers. In other words, the Commission was forced to adopt some other theory. They had no facts. They admitted that there are no meetings. So they were forced back to only one fact on which to build a lot of theory, and that fact, fortunately, was directly involved and fully developed in this trial, submitted to twelve men, under oath, and their unanimous verdict was to the effect that these packers were not guilty of any combination in the purchase of live stock on account of the alleged uniformity of purchase, as evidenced by the elaborate tables which were then used, and now used again, by the Federal Trade Commission.

Thus we find that all of this hullabaloo is built upon one fact that was satisfactorily explained in a court of justice in 1912. I want to say this, that on account of the criticism by the Government of its test cost, Morris & Company, voluntarily, has changed the basis of figuring its test cost, and now figures as near the actual as possible, that is, we take the actual market value of the by-products on the day of slaughter in figuring the test cost. Of course, this cannot be the actual cost because in a great many instances these prices will fluctuate either

way before the by-products are sold. But we wanted to escape all criticism in this direction and we are figuring the cost just as near the actual as can be humanly done.

But that is our policy with reference to all matters of criticism. Where there is criticism, either by the Government or the producers, we try to meet these objections. Accordingly, when there was criticism some years ago about "wiring on" when live stock was shipped from one yards to the other, Morris & Company gave strict and positive instructions not to do any "wiring on," and I say to you, positively, that we have not "wired on" since, and the Federal Trade Commission cannot prove to the contrary. I want to say further that if the Federal Trade Commission had found any ground for criticism in the conduct of its business, Morris & Company would gladly have conferred with the Federal Trade Commission and met its views, if possible. But we were given no chance.

Of course, the Commission realized that its report would be incomplete for the purposes of the Commission, unless it could be shown that the combination controlled not only the purchase of the live animal, but also the sale of the finished product, because the consumer, who buys the finished product, is everybody. Being driven away from the figured, or test, cost by the Government itself, and having absolutely no other evidence in the way of meetings, or anything of that sort, and discovering absolutely nothing, even in the private files of the packers that pointed to the control of the sale of fresh meats, the Commission then evolved this beautiful theory to the effect that the so-called "live stock pool" automatically regulated the sale of fresh meats.

The Commission itself almost recognized the falsity of this theory on page 28 of its report, which is as follows:

“It is difficult, if not impossible, to carry on a pool in fresh meats in which shipments and margins must be decided in advance, without weekly meetings, or some other kind of regulation, communication or discussion. Unless each member of a fresh meat pool knows at the beginning of the week how much is to be shipped to a given territory, there is likely to be a general glut or a general shortage.”

Here I would notice another feature of this remarkable report. A great deal of criticism is indulged as to the “50-50” buy at certain of the stock yards in this country, including Oklahoma City. If you will kindly permit, I would like to say a few words by way of explanation as to Oklahoma City. Some years ago, as already explained, there was a very strong, and proper, tendency to locate the packing houses nearer the raw material, because that would relieve the producer of a longer haul, increased freight rates and would give him less shrink. It must be self evident to this Honorable Committee that if the market is taken to the producer it must be on an infinitely smaller scale than the old established markets at Chicago, Kansas City, East St. Louis and Omaha.

The Morris interests thought that the Southwest afforded a great opportunity to extend its business and open up and develop a new market in that territory, although it was in part occupied by its competitors, Armour and Swift, at Fort Worth. It would be impossible to get either Armour or Swift to locate a packing plant in the State of Oklahoma, or at any other point in the State of Texas. If there was an illegal combination existing between these five big packers, then necessarily no one of the five would enter into competition or open up new markets in territory occupied by the others. It would

take a lot of nerve for any other packer to locate a plant in that territory, because it would mean competition and the loss of a lot of money in the initial building up of this new market. Notwithstanding this fact, and the further fact that there is always great difficulty in building up a new market, Morris concluded to locate a plant at Oklahoma City, which it did, with stock yards, in the year 1910.

I submit that this situation very well illustrates and amplifies the dependency of the packing plant upon the stock yards and of the stock yards upon the packing plant. You cannot conceive of packing plants without a stock yards in which to buy animals to be slaughtered; nor can you conceive of a stock yards without packing plants, because it is the packing plants that make the market at the yards. Consequently, one is absolutely dependent upon the other. When Morris concluded to build a packing plant in Oklahoma City, may I ask who would venture to build stock yards for a one man market? Please think of that for one moment, and especially in connection with the vast amount of space that is devoted in this report to these so-called "50-50" markets. But Morris did build a stock yards in Oklahoma City and finally succeeded in getting Swartzchild & Sulzberger to agree to build a packing plant also at Oklahoma City.

Evidently, it was to the interest not only of the state of Oklahoma and the great Southwest, but of the cattle and hog industry, as a whole, to have this market go along and gradually be built up. Could it be built up by "ruinous competition"? In other words, if one should attempt to buy more than the natural capacity of his plant, or his share, if you please, the necessary result would be retaliation, and the necessary result of that would be that one or the other would ultimately be driven out of

the market and then you would have no market at all. And yet this Commission lays hold of the situation at three or four yards, similarly situated, and on the unjust theory evolved would create prejudice and feeling against the packers, while they are really operating in the interest of the cattle man and the hog man.

If this Committee has any doubt about there being actual competition between Morris and Swartzchild & Sulzberger at Oklahoma City, on the one side, and Armour and Swift, at Fort Worth, on the other, all that you have to do is to read the evidence and decision in the Rate Case before the Interstate Commerce Commission, where there was a bitter fight between the two markets over the question of rates, it going to such an extent that it became a fight between the two states. I want to say to you that if the Interstate Commerce Commission had not decided the case in favor of the Oklahoma rates, there would be no "50-50" market at Oklahoma City today. We have got to look at these matters as men of plain common horse sense. This theory about the "50-50" markets reads very nicely, but when you get down to cold facts you will find that it is in the interest of the producer that these little markets near the source of production be maintained and they cannot be maintained by "ruinous competition."

In this connection, and while there was so much said by the Commission in its report about the "50-50" markets, I want to tell you that Morris purchased at Fort Worth last year more than forty thousand head of cattle and shipped them to Oklahoma City for slaughter. This can be verified by the Commission, if it has not already done so, and I submit that this little fact means something in considering this question.

Another matter. The Commission has seen fit to quote a lot of telegrams and correspondence about the different packers "supporting" the markets in the yards where they are interested. I am at a loss to know why all of this correspondence was inserted. In fact, I am at a loss to understand why a lot of ancient history, which does not concern the present, is inserted. But these telegrams, to my way of thinking, are very illuminating and helpful. Do they not show one great reason why the packers should have an interest in these yards, for if certain of these yards like Oklahoma City, St. Joseph, Denver and Fort Worth are not "supported" at times by the packers, who will support them? And what is more to the point, who will buy when these big runs are on at the yards and the packers have all that they really want? Yet these packers have stood up year in and year out and have "supported" the yards in which they had an interest, to the great benefit of the producer.

This also explains to a very great extent why the same prices in many instances are paid for "split shipments" at the various yards. These yards are jealous of their competitors, I might say, jealous of their very existence, and must have the same price paid or the market will go down. When the Swift interests find there is a "split shipment" in the St. Joseph yards and that the other part of the shipment brought a certain amount in the yards at Kansas City, they must pay at least as much for this split shipment in St. Joseph as was paid for the other part of the shipment in Kansas City, or in the future this shipper will ship all of his cattle to Kansas City and none to St. Joseph. This is made perfectly clear by the telegrams quoted in the report, and yet the report indicates a willingness on the part of the Commission to draw improper deductions and conclusions therefrom.

Packers want stock yards built up and markets maintained. Take for instance, Kansas City. Since Morris has become interested in these yards they have spent \$1,779,686.65 in the improvement of the Yards for the years 1913 to 1918, or an average of \$296,000 per year, as compared with \$249,995 for the five years, 1908 to 1913, or an average of \$50,000 per year. These improvements have been for the purpose of facilitating the handling of live stock, loading and unloading promptly, and making the drives from the chutes as short as possible, all of which is certainly for the benefit of the shippers.

The report of the Commission is not fair on the big, important question involved, and that is, the question of profits. If the profit of the packer is reasonable, then this charge of monopoly and illegal combination falls absolutely to the ground. If the large packer makes a reasonable profit, then no blame whatever can attach to these five packers merely because of their bigness, and I have shown that our profits are entirely reasonable.

In Chapter 3 of this report, devoted to the subject of "agreements in other lines of business," the Commission concealed the fact that the price of lard compound has been definitely fixed by the Food Administration, there being a separate agreement between each party handling lard compound and the Food Administrator. This again serves to illustrate the utter unreliability of this lengthy and sensational document. It is almost inconceivable that a branch of our Government would submit to the President of the United States a carefully printed report suggesting criminal prosecution and then set out, as one of the grounds for such prosecution, an agreement which was in fact made by and with another branch of the Government.

Other lines of business.

The report of the Commission is to the effect that the packers are branching out and handling commodities other than meats, referring particularly to wholesale groceries, produce, and salmon. Of course, if the Commission had any real, actual evidence of illegal combination in either the purchase of live stock or the sale of fresh meats, we would never have heard of this charge, or at least so much time and space would not have been devoted to it. The truth is the Commission in its crusade to "get" the big packers, realizing that it had signally failed in its charges as to the purchase of live stock or the sale of fresh meats, have "lugged" these other matters in to get the influence of the wholesale grocers back of this bill, and also to create the atmosphere in Congress that some legislation should be had against the packers. We are ready to meet that issue squarely, as we are ready to give the people an accounting in all branches of our business.

(a) *Wholesale grocers.* When this investigation was started, the Commission sent out a written questionnaire to the wholesale grocers asking for instances of unfair competition or unethical practices on the part of the big packers. This clearly demonstrates what this investigation meant from the very start. It not only shows that this was not an investigation for constructive purposes, but was bitterly partisan and unfair against the packers, based on a prejudgment of wrongdoing.

But at the end of two years of a diligent search for unfair competition on the part of the packers, the big fact stands out in the testimony of Chairman Colver that no evidence whatever is introduced of any such unfair competition in this line, and that the quality of goods

handled was good. In fact, he had nothing to complain of so far as the past or the present are concerned, his whole testimony being an expressed fear for the future on account of the "tendency" of the packers to absorb this branch of industry. The sole ground for complaint seems to be that the packers can handle these goods more cheaply and can sell them to the people at a lower cost than the wholesale grocer. I thought the cry was to get cheaper foods for the consumer. But, if mistaken in that, I would like to know it.

It is a fact, if that be an offense, that the packers have an efficient means of distribution, and as they already have a fixed carrying charge at their branch houses, additional lines of goods can be carried and sold very cheaply. If it is not desired that necessities be reduced to the consumer, all very well. And if the charge be true that the packers will put out of business the wholesale grocer, no unfair competition being shown, then it necessarily follows that this result would be attained solely because the packers sell these goods more cheaply to the consumer. In England today the constant effort is to cut down cost at every point possible and bring up efficiency. England says to her business man, if you cannot bring your cost down to that of your competitor and if he can market his goods more cheaply than you, then you should not survive in that business, but you should get into some other useful line of production or activity. I have an idea that if this investigation had covered the question of distribution and sale of the meats, that the American people would have been astounded at the present waste and at the saving and economy that could be made. Unfortunately, we had no investigation along these broad, economic and constructive lines.

There is nothing in this whole situation for the packer

to fear, if the fixed policy of our Government is to get foods to the people as cheaply as possible. Of course, if the policy is to have two to do the work when one would do it just as efficiently, then that is another question. When two needlessly do the work of one, then there is necessarily an added cost to the consumer. It is admitted that the packer can distribute and sell these groceries cheaper than any one else. Is this not what is wanted? Why not bring the wholesaler up to the level of the packer as to efficiency and down to his level as to cost instead of bringing the packer down to the efficiency of the wholesaler, with added cost, and which the consumer must pay in the end? If the idea is not to still further economize and thus reduce cost to the people, why any of these investigations? I was not aware that the thing sought after was to increase cost and to say to a business man that you cannot stay in this line of business because you operate it too cheaply in the interest of the consumer.

Chairman Colver has certainly paid a very high compliment to the efficiency of the packer and to his system of distribution, when he said that the wholesale grocer would be "put out of business as an independently operated and competitive business in five years and the retailer in ten years." Why did he not investigate them? Would it not be interesting to know just where the fault lies? If the secret lies in the handling of several lines instead of one, then isn't this in the interest of the people? And possibly this is what Chairman Colver had in mind when he injected the words "independently operated" in his statement before this Honorable Committee. Possibly these wholesalers had better adopt the system of the packers, if it is superior. Possibly there are too many middle men in this country. We search this cele-

brated report for one word on that very interesting question. Would it be a crime to investigate and find out something about the middle man? The packers have already been investigated time without number. Why not try it on somebody else?

Chairman Colver, in response to questions, admitted to this Honorable Committee that the goods handled by the packers are of good quality and that no unfair competition had been shown, unless it be in the superior means of distribution which the packer possesses. The packers are selling cheaper than their competitors and yet his only fear is the future. So far as the past and present are concerned, the packers have been the friends of the consumer, as was clearly brought out by answers of the Chairman, in response to questions of members of this Committee. That being true, then how can the Federal Trade Commission recommend the taking over of the branch houses and means of distribution of the packers, until they have studied the defects and shortcomings in the distribution of the competitors of the packers, and to ascertain whether the cost cannot be cut down so as to meet the packers' competition and thus give the consumer the benefit thereof? The consumer should be given the benefit, if possible.

If the crux of the Federal Trade Commission's recommendation lies in its fear of what may happen in the future through monopoly, then this bill is offered as a form of State Socialism, with the idea that State Socialism is better than individual monopoly, but we are not to the point of monopoly. There is no reason why a very earnest effort should not be made to try and remedy defects, if any, in distribution by wholesale jobbers and middle men before rushing to the extreme of State Socialism.

After getting expressions from traveling salesmen representing the wholesale grocers, Chairman Colver stated before this Honorable Committee that it was his opinion that the packers would put the wholesale grocers out of business in five years and the retail grocers out of business in ten years. Of course, this wild estimate is bound to convince any one of the utter and complete unreliability of the report of the Commission on this subject. In fact, it has been the strong effort of the Commission to line up the wholesale grocers against the packers and thus to create a very strong bias and prejudice against the packers in public opinion generally. In that connection, it is interesting to get some actual facts. The trouble with the Commission is that it will not place its feet upon facts and figures, but instead it will lay hold of some proposition and build therefrom an unfounded theory.

Now the fact is, that in 1907 we had 2,586 wholesale grocers in the United States; in 1913, 3,156; and in 1918, 3,687. At this rate, we cannot figure how it is going to be possible for the packers to accomplish the demise of the wholesale grocery business in five years, or even five hundred years. We have simply stirred them up a little in their own interest and to the great benefit of the consumer. The truth is that the packers are not going to put the wholesale grocers out of business, and the Commission knows that. The wholesale grocer has his place in the economic plan of this country, and is going to hold it. Efficient competition will force the wholesale grocer to revise his business methods and to cut down his costs, and this will be for the benefit of the consumer.

But Chairman Colver proposes to put the packer out of the wholesale grocery business through the license plan embraced in this bill, as stated in his testimony. It is

the intention that when the packer makes application for a license under the provisions of this bill, he will be limited to the packing business, and will not be permitted to do any business in the grocery line, thus leaving the wholesale grocers with a free hand. Is that what the people want? We think not.

And in that connection, it is interesting to note the testimony of Chairman Colver as to the existence of an illegal combination existing between the wholesale grocers, his testimony being as follows:

“Mr. Dillon: Did you find in your investigation any evidence of a combination existing by the wholesale grocers of the country?

Mr. Colver: We did not report any such. (It hardly answers the question as to whether they *found* any combination to say that they *reported* none.)

Mr. Dillon: Well, what is your judgment on that question at this time?

Mr. Colver: I think there is a tendency in that direction; but just a moment—no; because if I leave that answer stand, it would seem to imply that I think there is a tendency for a nation-wide combination. I do not think I would answer yes to that, as to a nation-wide combination. It is an industry that scatters from one end of the country to the other. It is made up of very large and very small units. It is a seasonal industry. I would not say that there is much evidence of anything like a nation-wide control.”

From this it might be concluded that certain parties have a choice as between alleged illegal combinations.

Mind you, I am making no charge whatever that the wholesale grocer is in an illegal combination. I am not in a position to speak on that subject, besides, it is none of my concern so far as this present investigation is concerned. I am simply quoting the testimony of Chair-

man Colver as developed through questions from members of this Honorable Committee.

Legally, I believe that an American citizen has, and should have, the right to engage in more than one business. Economically, I believe that it was a good thing for us that the steam engine supplanted the old stage coach.

But notwithstanding the strong effort of the Federal Trade Commission to stir up animosity and hatred between the wholesale grocer and the packer, and particularly as to whether the packer is going to put the wholesale grocer out of business, it is very interesting to note a carefully prepared and signed article by Mr. Arjay Davies, president of the National Wholesale Grocers Association, in the Michigan Tradesman of December 18, 1918, and which is as follows:

“During the years just ahead of us the usefulness or right to exist of everything, from the Supreme Court to the privately operated delicatessen store, will doubtless be called in question by some more or less important section of our population. The one predominant principle will be the survival of the fittest. I have no need to tell you of the various private and public agencies that are here and there offered to perform the functions that the wholesale grocer, under the severest competition, has successfully discharged for centuries. No collective action on our part and no mere arguments or appeals to Federal or State authorities will or should maintain the wholesale grocer’s position. His survival depends solely upon himself. If he is able to get food from the farm to the table more economically, quickly and effectively than any other agency he will survive. If he does not no association and no united effort can or should save him.

He must render better service than any other medium. He must conduct his business with greater economy than any competitor, private or public. That

he can do this I do not entertain the slightest question. He has proved it. But he must ever improve, and must make that proof ever more convincing. No developments of the peace conferences, no activities of any international food organization, no decision to continue or discontinue a National food administration, no reconstruction policy of President Wilson and his Cabinet, no laws of the present Congress or of the new Congress after March 4, can in any respect change the plain fact that today, as in all the months of the war, and in the years before, and through the years ahead, the wholesale grocer will be measured by his service."

This article shows keen business sense, but it is baffling to note the effort of a branch of our Government, created to assist and aid business, to convince a man of this type that legitimate and proper competition would wrongfully put him out of business in five years. The answer of Mr. Davies is, "that his survival depends solely upon himself if he is able to get food from the farm to the table more economically, quickly and effectively than any other agency, he will survive. If he does not, no association and no united effort can, or should save him."

So that we see that there is absolutely nothing in the charge that the packer will put the wholesale grocer out of business in five years. The wholesale grocer will survive and will grow just as statistics and figures show that he is growing. Yet our Federal Trade Commission would stir up a world of prejudice and hatred in this country against the packers for doing this very laudable work.

(b) *Produce.* It is said that the packer is also in the produce business. Why not? His being in this business can only result in better quality, better service and lower prices to the consumer.

A certain member of this Honorable Committee touched

upon a very important subject in this connection while interrogating Chairman Colver with regard to the quality of the goods handled by the packers. If he had gone a step further and asked about the *condition* of the goods handled in connection with produce, he would have touched a vital feature of this business. We have heard a great deal in the public press about the spoiling and the destruction of goods. It has also been intimated that in many instances such destruction was intentional. I am making no charge in that regard. But it is an indisputable fact that there is a great waste in the nation's food supply through spoilage and destruction. Would a little legitimate competition in this line of business tend to keep down that waste and destruction? And would that be in the interest or to the detriment of the consumer?

“Condition” is the middle name of the packer. Every man holding a position with Morris & Company, and whose duty it is to direct the activities of those who buy, prepare, pack, ship, deliver or handle produce, in any manner, is constantly and everlastingly schooled, checked and made a past master in this vital question and in the technique of time and temperature, so that injury to any product is held to a minimum.

I dare say that this Honorable Committee knows what the packer has done for the quality of meat. I hope that all of you have enjoyed the pleasure of eating Morris “Supreme” ham and bacon, which is the last word in those great delicacies. Now, we are doing the same thing for produce, as far as quality and tastiness are concerned. Is this advisable? Still the Federal Trade Commission says that we are doing this work much cheaper than our competitors, to the extent that they will all be put out of business in a few years.

Gentlemen of the Committee, are we to be punished simply because we keep down the waste and destruction of goods by preventing wastage? It would be marvelous if the inefficient in this direction were to be rewarded.

There is another important element in the produce business, to which I would direct your attention, and which enables the packer to go out and get this business in fair competition, and that is, the fact that the packer in the produce business is a thorough *merchant*. He is not a jobber, and he is not a speculator. Our whole organization is based upon efficiency and requiring our men to be posted as to the trade's requirements and in securing supplies to cover the same, using our best efforts at all times to keep the goods moving in as direct a line as possible from producing sections to distributing centers, and at no time withholding the supplies from the trade under price limits, which is the practice of many small shippers and dealers, who do more or less speculating in this respect, withholding their goods from the market, with injury to the product and to the detriment of the trade. Morris is in the market in a large way, as a cash buyer, deals directly with the best known shippers at primary points, furnishing them a reliable and regular market during the seasons of heavy production, and especially preparing and setting aside a portion of the goods in season, during heavy production periods, to be used during seasons of scarcity for its trade's actual requirements, and not for speculative purposes. These goods are more or less seasonable in production, but not so in consumption. This practice of Morris & Company insures at all seasons of the year a more even distribution and supply of these highly perishable products.

We do not desire to lodge any complaint against our competitors in this line of business, but it is only fair to this Honorable Committee to state that many of the small shippers and dealers handle this business in a haphazard manner, operating without proper facilities, without any artificial cooling, taking a chance on the weather to help them out, preparing their goods as to grades and styles according to their own ideas, sending their goods first to one market and then to another, favoring first one commission house and then another. Often the goods are not properly prepared and are in poor condition when they reach the market. .

Often when this is done these goods are sold by one commission merchant to another, passed down the line to be handled and rehandled, involving added labor costs, injury to the product, and finally going to a class of trade where the price is more of an object than quality and condition. It is a deplorable fact that a large percentage of these goods are injured either in their preparation for the market, or in their handling to the point of distribution, and a very heavy per cent., as a result, is actually destroyed. This fact can be established even by the trade's general reports, and which are available to this Committee. If it is not to the interest of the consumer that this business be stabilized, then I agree with the Federal Trade Commission that the packer should be kept out of this line of business. But we have nothing to fear, or withhold, as to our conduct in this business.

I desire to say that if intelligent legislation is to be had along this line, you should have laid bare the actual facts as to the speculator in produce, the amount of sheer waste which results from his practices, the loss of which

is ultimately borne by the consumer. Are we, as merchants, to be punished because we are not speculators? Of course, if the people generally are satisfied with this sort of thing, and particularly with a Government investigation that does not investigate both ends of this great food problem, but only the manufacturer in the middle, and then only with the design of establishing some guilt, not for the purpose of big, corrective or constructive legislation, and when his efficiency and low profits have been unalterably established, then, being a Government of the people, we, as a part of that people, must bow in submission. But if the policy is to encourage speculation, waste of food through spoiling, and improper handling, then it is all right to take over the branch houses and distributing system of the packers, which they have built up through years of effort, turn them over to others, and strike down the great efficiency which the Commission says will dispose of our inefficient competitors in a few years.

Of course, if the packers, through their efficient and superior means of distribution, can sell these goods too cheaply to the consumer and thus put their competitors out of business, and if the real idea back of this bill is to put the packer out of these side lines by refusing license for that purpose, and that is to be the policy of our Government, which was made very clear by Chairman Colver, in his testimony on December 30th, page 66 of the Official Report, why this drastic bill which would also destroy the meat food industry? Why not prepare the bill along the lines that a man in this country can only engage in one line of business? But that sort of a law would have to be general in its scope and apply to all, and not merely the packers, as the present bill. Does the new thought

that we have heard so much about include something of this sort?

(c) *Salmon industry*: Considerable has been said before this Honorable Committee about the salmon industry. Morris & Company has no plants for the packing or handling of salmon. We handle salmon only as distributors. Yet Chairman Colver, in his testimony before this Honorable Committee, admitted the existence of a combination in the packing of salmon, amounting to a monopoly, and when asked by a member of this Committee why he did not strike at the root of that evil and get after that monopoly instead of the distributor, he replied, "We are only trying to tackle one of these things at a time." It might be added that there is, apparently, an over-weening desire to tackle the meat packers first.

(d) *List of articles handled by the packers*: The Chairman of the Federal Trade Commission submitted to this Honorable Committee a long list of articles handled by the packers. The evident purpose of this was to stir up all other parties handling any of these articles against the packers, and to create a fear in the public mind that the packers were getting too strong for the common good. I have not had the time to differentiate the different products covered in this list, but I have gone far enough to state positively that more than 90 per cent. in value, of these products are legitimate by-products of the packing industry; that is, these products are the result of the great development and utilization of the by-products by the big packer, and this is greatly to the interest both of the producer and the consumer.

Now the situation is that in the distribution and sale of these by-products, it is found that the packers, with the same overhead and the same instrumentalities for

distribution, can handle additional lines to advantage. This is to the advantage of the consumer, because it will necessarily cut down the cost to him. But if this bill is to become a law, and the packers are to be deprived of their instrumentalities of distribution for meat and meat food products, and also denied the privilege of handling anything but meat and meat food products, then it is only a short step to the drawing of the line between the handling of meat and the by-products thereof, so that the next bill suggested by the Federal Trade Commission would be to deprive the packer of the right to handle and sell these by-products. As one of the members of this Honorable Committee very properly asked, "Where will you draw the line?"

Of course, if it is not in the interest of the consumer that these by-products be fully utilized, then it might be well to introduce a bill forcing the packers to dismiss all of their chemists and experts in the line of development of by-products and go back to the old order of things when these by-products were not utilized to speak of at all.

Mr. Colver, in his testimony before this Honorable Committee, brought all of this in as a proper "background" to his presentation of this matter. Others might call it "scenery," but I say it is just plain "camouflage." Its purpose is to create a feeling of prejudice against these packers and a disposition in Congress to legislate against them, even if the present bill, which introduces Government ownership, cannot be accepted.

(e) *Related and unrelated corporations:* Knowing that it has no evidence of illegality, the Federal Trade Commission hopes to build up a sentiment against the packers, so that legislation of some sort against them will come out of the situation. Accordingly, when the

Federal Trade Commission discovered that a stockholder of one of these corporations happened to have some stock in a certain bank, then this bank was listed as one of the corporations controlled by this "terrible octopus," and in this way they accumulated something like seven hundred corporations. Then they deliberately give out to the people the impression that these five packers have such tremendous power that it could absorb and destroy any business and all competition at will, and that it is reaching out for a world monopoly of food products. But, having submitted its sensational report, the Commission now seems determined to get something out of the situation, in order that it may, in street parlance, "save their face."

I would also say a few words as to the Summary of the report of the Federal Trade Commission on the Meat Packing Industry, which even the Commission very graciously admits is "more particularly a study of the activities of the five principal meat packing corporations, Armour, Swift, Morris, Wilson and Cudahy." I want to call your attention to the fact that the Commission itself is firmly of the opinion, in which I heartily concur, that this bill could be used as a means to absolutely destroy this great industry, and which was built up very largely by three generations giving their personal time and attention to the business, and which accounts for its success, where failure has marked the efforts of salaried men in other businesses.

On page 3 of this Summary, the Commission says:

"It appears that five great packing concerns of the country—Armour, Swift, Morris, Wilson and Cudahy—have attained such a dominant position that they control, at will, the market in which they buy their supplies, the market in which they sell their products and hold the fortunes of their competitors in their hands."

This is exceedingly strong language and yet it is deliberately used in a report to the President of the United States and after a year and a half has been spent in examination of the industry. Please note that the Commission says that these five packers control "at will" their purchases, their sales and their competitors.

Nevertheless, bearing in mind the powerful position that these five corporations hold, according to the Commission, still the Commission says that if this bill were passed this industry could be absolutely destroyed, for the Commission, on page 4, says:

"If this five great concerns owned no packing plants and killed no cattle and still retained control of the instruments of transportation of marketing and of storage, *their position would not be less strong than it is.*" (My italics.)

But this bill proposes to give to the Government this identical control. Consequently, the converse of the proposition must necessarily be true and it follows from these two quotations that the monopolistic control and strength of these five concerns, even to the extent of controlling "at will" their "buy," their sales and their competitors, is solely through the instrumentalities mentioned in the bill. Consequently, if impractical men unfamiliar with this business, had control of these instrumentalities, these corporations could be absolutely destroyed, according to the Commission itself. That raises the very serious question, then, should this great power be granted? This language certainly sounds a note of warning as to what is really involved in this bill, and what was intended by this Commission. It means more than paternalism. It means more than even the crippling of a great industry which has rendered a wonderful service, not only to this country, but to the cause of freedom and international

equity and justice, in a great world crisis. It would necessarily mean that the benefits now derived from the efficiency of this industry would be lost forever to the consumer.

I would call your attention to one other quotation from this Summary, which is to be found on page 6, and which is as follows:

“Some independent packers exist by sufferance of the five, and a few hardy ones have survived in real competition. Around such few of these as remain the lines are drawing in.”

Is there any doubt in the minds of this Honorable Committee that the effect of this strong language, coming as it does from a branch of our Government, would necessarily sow the seeds of deep and lasting hatred and prejudice against these five packers? And yet I would call your attention to the fact that this report will be searched in vain for the name of a single independent packer who has been put out of business by these five big packers. This report will also be searched in vain for any real evidence of unfair competition, and I now charge that the Federal Trade Commission spent a great deal of time with the smaller packers and the competitors of these five great packers to discover and unearth something in the way of unfair competition, and to get such competitors to disclose illegal practices or oppressive and unfair tactics on the part of the big packers.

I now state that there never were so many packers in competition with the five big packers as at present, and the business of these smaller packers was never in better shape. The Commission is mistaken when it says “the lines are drawing in.” For instance, the business of the Chicago City Butchers has more than doubled since 1915 and John Agar & Company has more than trebled

during that period. When the Commission submitted tables of "buy" for the five big packers, it is unfortunate that the "buy" of all other packers was not also submitted for the last five years.

On pages 115 and 116 of Part 2 of the Federal Trade Report, Mr. Charles H. May, of Madison, Wisconsin, is of the opinion that the five big packers took turns in cutting the prices on meat products. It appears that he was in business for the years 1917 and 1918. The fact is, that our Company had a car route out of Janesville, which constituted the only competition that we could give this man, and in the year 1916, when he was not in business, this car route showed a net loss of \$533.02, and in 1917, when he was in business, it showed a net gain of \$441.78. So that these figures demonstrate that Morris & Company was not cutting prices as against this party.

There is no evidence of any unfair competition in the report, as to groceries or produce. They did not get it because it was not to be had. And yet this same Federal Trade Commission uses this vitriolic and bitter language against a great industry that helped prevent the defeat of the allied armies before our army ever touched French soil. In the face of that service, and while the service is still not completed, this same Federal Trade Commission comes along and by its own language, admits that it has had prepared and recommends the passage of a bill that could be used to destroy the industry absolutely.

Purchase of Live Stock and Sale of Fresh Meats.

But I am sure that this Honorable Committee would like to know just how the live stock is purchased and how the fresh meats are sold. We have nothing to conceal in that regard. You are entitled to know the details of the purchase of the live animal and the sale of fresh meats. In fact, I wish it were possible for this Honorable Committee to personally visit the Chicago yards and see just how this business is conducted in all of its ramifications, and particularly to go into the yards in the morning and see for yourselves just what "makes the market."

At the outset I want to state, most positively and without reservation, that Morris & Company has no agreement whatever limiting its purchase of live stock to any percentage, and that our buy is governed solely by our capacity to kill, our distributive outlet and the receipts.

Ordinarily, in times of peace, we purchase cattle for three different purposes; that is, (a) for distribution through our branch houses, car routes and such direct trade as we may have; (b) for hotels, railroads, steamships and institution trade; (c) canners and similar purposes.

You can readily see that our purchase of the first class of cattle, is governed largely by orders sent in by our branch houses and car route departments of their requirements, together with grade and kind of cattle that are wanted; and these orders are filled as nearly as possible in line with the requests from our branch houses and route cars, considering the receipts of cattle and market conditions. Cattle purchased for hotel, railroad, steamship and institution trade are also taken care of in a similar manner; the head of this department making

up an estimate of his requirements each week. But the canners and cutters are shipped to the markets in large numbers between July and January, and at other times of the year in comparatively small numbers, so that our purchase of this class of cattle during the heavy run is limited only by our killing and cutting facilities. Because this class of cattle comes in larger numbers during this season than the trade demand will require, a very large quantity of this meat is sent to the freezers in the shape of carcass and cuts of meat to be supplied to the trade during the season when this class of cattle is scarce, and in this way we are enabled to pay a fair price for the cattle when on the market, although an immediate outlet could not be found for them at the time. By distributing the meat during the season of scarcity, excessive prices to the consumer are prevented.

The first thing in the morning is for the head of the beef department to distribute his orders to the head cattle buyers at the different markets for as many cattle as he figures they can use, giving larger or smaller orders to each buyer according to receipts at the particular market, the kind of cattle that are coming to the particular market, killing capacity of the plant at each market, and also taking into consideration what cattle have been costing in the various markets as compared with what they have been selling for at other markets. During the day these orders may be changed. Receipts may be larger or smaller than at first reported, and one market may be considerably higher or lower than others, causing changes in the original orders. The head of the beef department also gives his opinion to the cattle buyer as to whether cattle should be bought higher or lower, basing this opinion on the receipts of cattle, which fluctuate continually, and also the condition of the beef trade. But

above all, the first aim is to operate our plants as near capacity as possible, and the buyer, in order to do so, must buy cattle on the market in which he operates, at the market price, in order to keep his killing gang going.

As there is no agreement whatever as to percentage of "buy," we have different buyers for steers, cows, hogs and sheep. Each must be an expert in his particular line, for the buy is based solely on his judgment as to quality, fill and dressing.

You can readily understand that each buyer must have an approximate order for the number of head which he is to buy daily, and it must be self-evident that it would be an absolute impossibility to give instructions in any possible manner to buy a definite and fixed percentage and not have these buyers know it. Our buyers trade absolutely according to market conditions and our needs of live stock.

The fresh meat is sold like any other highly perishable product, strictly on the market. It is nonsense to say that any agreement fixing the percentage of buy would, automatically, or otherwise, regulate the sale of fresh meat. Often our beef is sold at an actual loss, and sometimes at a very heavy loss. The fact is that no two carcasses, even in the same lot of cattle, are alike. And you cannot understand the full scope of that proposition unless you step into a cooler and have an experienced man point out to you the differences. But this one proposition would prevent absolutely the possibility of an agreement in the sale of fresh meat.

This meat must be sold while it is fresh. And the receipt of cattle at the live stock markets will often influence the price to be obtained, because the butchers in these large marketing centers are posted on cattle re-

ceipts at the various yards just as fully as the packers. The Federal Trade Commission would have you believe that there is something wrong in obtaining this information. But it is public, furnished by the Government, and everyone connected with the industry, including the butchers, in New York City, Boston and Philadelphia, get these receipts daily at the various western markets, and they regulate and determine their "buy" accordingly. All of this would be made very clear to you if you would make a personal inspection of the sale of fresh meat in the branch houses in New York City.

But the fact that the fresh meat is sold strictly on its merits is simply demonstrated by the figures which I have given you showing the great variation in the margins obtained for beef sold on the same day, on the same street, in the same city. If there was an agreement regulating this matter, the prices would be uniform and the same, or at least approximately so. They are radically different, as you can readily ascertain yourselves first hand.

I say to you that it is a monstrous proposition that a representative of the Government, after investigating this subject for two years, would deliberately say to this Honorable Committee that fresh meat can be sold like shoes or machinery, or some other staple, *and this lies at the base of the recommendation of the Federal Trade Commission to take over the branch houses.* If they are wrong on that, then these branch houses should never be taken over, because the result would be to destroy absolutely the sales end of this vast industry, and when that is destroyed, then everything will be destroyed, including the demand and market for live stock.

Live stock is purchased and the fresh meat is sold

under the old law of supply and demand. If the cattle receipts and prices will be carefully studied by this Honorable Committee it will be ascertained that light receipts have always tended towards high prices and that excessive receipts have tended towards reaction and lower prices. It is not within the power of the packer to regulate live stock receipts so as to make them more uniform, which would naturally have a tendency to steady the market. That is a big economic question and it is unfortunate that questions of this sort were not studied in a fair and economic way, so that the American people as a whole would have gotten the benefit therefrom.

Representatives of the Bureau of Markets, practical men, are constantly in the stock yards and also in the big distributing centers, studying both the buying and selling, making daily and weekly reports to the Government. These men know that there is no agreement fixing the percentage of buy and also that no such agreement could regulate the sale or price of fresh meats.

Of course, this Honorable Committee appreciates that the larger part of the hog product is cured and packed during the season of large receipts and distributed throughout the year. These products can be shipped to points where there is no refrigeration, and there, sold to jobbers and others, and so we do not have to depend entirely upon our branch houses for our volume in pork products. As a matter of fact, our distribution is greater than our killing capacity in some lines of hog products and we are buyers of very large quantities of hams and bacons and other cuts of cured meats. With reference to the distribution and sale of fresh meats the branch house is absolutely essential to this great industry. Strike that down and you will instantly strike at

the price of live stock and the quantity of production. Of course, the greater part of our hog products are sold through our branch house markets, and if it were not for the branch house this product would have to be handled entirely through jobbers, which would mean an additional cost to the consumer.

Uniformity of Live Stock Purchase.

The Federal Trade Commission relies solely upon an alleged uniformity of purchase of live stock to establish an agreement between the five big packers to buy a fixed and definite percentage and certain tables, which they say they took from the office of Swift & Company, are relied upon to establish such uniformity.

In the first place, it would prove nothing, even if the purchase of these five big packers would be *approximately* the same. This business has been in the course of development for a great many years, and, naturally, each Company has its regular organization, its plant capacity, and its distributing facilities with their fixed and definite capacity. So it would be quite natural if the purchases would run approximately the same, just as the purchases for the big State Street stores or any other big business of this country. It is the law of general average. But in the second place, these figures are not uniform. In order to accurately understand the tables submitted by the Federal Trade Commission, you must understand the volume involved. The Federal Trade Commission could give out purchase and profits in either percentage or figures, and they have given them out according to the purpose or impression sought to be obtained. Profits have been given in figures, because the tremendous volume makes these figures appear large. On the other hand, the

purchases are given in percentage, because the tremendous volume also makes the percentages appear more uniform.

A great deal is said in the report of the Commission about the "1910 arbitrary" to be found on page 35 of Part 2. I do not know who prepared this "1910 arbitrary," nor when or why it was prepared. But I do know that so far as Morris & Company is concerned, there is no basis for the figures, for if the business done by the National Packing Company in 1910 is distributed among the three parties interested, that is, Swift, Armour and Morris, the percentage of Morris would be 17.94, and treating 1911 the same way the Morris percentage would be 18.63. If we turn to the cattle purchase, according to the table on page 57 of the Commission's report, we find that the Morris percentage of business actually done varies all the way from 17.14 per cent. in the year 1917, to 18.14 per cent. in the year 1915. This one per cent. represents 76,000 cattle, approximately ten weeks' kill in Chicago, or three weeks at all of our plants. So the uniformity of buy theory is knocked into the proverbial "cocked hat."

In commenting on the weekly purchases (on page 51 of its report) the Commission says that they average more nearly to the standard percentage as the end of the year approaches, and when the end of the year is reached the percentage is almost exact. This is not true, as will be seen by referring to the table on page 50 of the report, where at the close of the year 1916 the Morris percentage is shown as 17.86 per cent., while in 1917 it was 16.89 per cent., which represented a difference in the Morris kill of 67,560 cattle.

But let us see not only if there is uniformity of pur-

chase, even according to the tables, figures, and testimony set out in the report of the Commission itself, but also the importance of considering volume in connection with the tables and the figures referred to. For instance, the alleged agreed percentages at Omaha for the hog purchase (on page 29 of the report) is given as follows: Armour, thirty per cent; Cudahy, thirty per cent; Swift, twenty-five per cent., and Morris fifteen per cent. Now the fact is that in 1918 Morris bought 18.77 per cent. of the hogs at Omaha, which is 99,861 more hogs than Morris would have purchased if we had only purchased fifteen per cent., which the Commission says was the Morris percentage at that point.

Then the report contains a table which shows that in 1917 Morris purchased 9.60 per cent. of the hogs at Chicago, and in 1916 purchased 8.90 per cent. of the hogs at the same place. These percentages, standing together, seem very close and might give the impression that there was control back of them. But this difference of less than one point represents a difference of 46,515 hogs purchased.

On page 49 of the report, Swift's cattle purchase at Chicago in 1917 was given as 36.63 per cent.; in 1918 Swift bought 38.32 per cent., yet this small difference in percentage represented a difference of 33,587 cattle in purchase. On the same page, the Cudahy cattle purchase at Omaha is given in 1917 as 25.34 per cent.; in 1918 Cudahy bought 24.34 per cent., and this one per cent. difference represents 11,633 head of cattle.

The Swift cattle purchase at St. Louis in 1917 is represented in the report as 41.41 per cent., while in 1918 Swift bought 39.05 per cent., yet this difference in percentage represents 17,606 head of cattle.

The difference in the Wilson Chicago hog purchase in the years 1916 and 1918 was 1.29 per cent., but this represents a difference of 56,721 hogs in the two years.

The difference in percentage between the Armour hog purchase in Chicago in the years 1916 and 1918 is .99 per cent., and yet this small difference of percentage represents 43,527 hogs.

The Swift hog purchase at Kansas City in 1917 was 19.91 per cent; in 1918 it was 21.67 per cent., and yet this difference of 1.76 per cent. represents 46,766 hogs.

The Wilson hog purchase at Kansas City in 1917 was 21.12 per cent.; and in 1918 it was 19 per cent., and yet this difference represents 56,332 hogs.

The Armour cattle purchase at St. Joseph in 1913 was 27.54 per cent., and in 1916 it was 33.37 per cent.

On page 66 of the report, Mr. Cudahy is made to say that his percentage of hogs at Kansas City was 17 per cent., and the Commission would conclusively infer therefrom that an agreement existed fixing that as his percentage. Now, according to his actual buy in that market, we find that in 1916 it was 15.20 per cent., a difference of 1.8 per cent., which represents 40,194 head for that year.

On page 30 of the report, the Federal Trade Commission relies upon the statement of a Kansas City buyer of Armour & Company to the effect that Armour's percentage in that market was 35 per cent. In the year 1918 Armour bought at Kansas City 24.33 per cent. of the cattle, a difference of 10.67 per cent. This represents 171,669 head, thus showing the utter unreliability of this entire report, and yet, the conclusions reached by the Federal Trade Commission is built around such stuff as this.

On pages 49 and 50 of the report, in dealing with cattle purchased at the various markets, the Morris purchase for 1916 is given as 17.86 per cent. as compared with 16.89 per cent in 1917. This difference of less than one per cent. represented 67,560 head of cattle.

On page 53 of the report, dealing with the purchase of hogs at East St. Louis, the Morris percentage of buy in 1916 is shown as 15.02 per cent., while in 1917 the percentage is 12.49. But this small difference in per cent. meant a difference in the number of hogs purchased at that place of 51,646.

On page 55 of the report, dealing with the total hog purchase at all points, the Morris percentage is shown as 9.29 for the year 1917, as compared with 9.64 in the year 1916, the difference being only .35 of one per cent., but this meant a difference in the Morris buy for the year of 98,495 head of hogs.

On page 57, showing the percentage of purchases by the five big packers for five years at all points, the Morris per cent. of cattle in 1915 was 18.14, as compared with 17.14 in 1917. This one per cent. made a difference in the total purchase of Morris of 76,295 head of cattle.

Now, these figures are merely characteristic of all the numerous tables and figures submitted in the report of the Federal Trade Commission, and these figures demonstrate that no reliable conclusion can be reached by considering merely the percentage figures, and without taking into consideration the actual volume involved.

And yet the Federal Trade Commission would have you believe that an agreement for a fixed and definite percentage of the buy is absolutely established through these tables of percentages, and, being established, such

agreement regulates the sale and price for fresh meats. This is nothing short of sheer nonsense.

But I cannot leave this question of figures and percentages without calling your attention to the purchase of hogs at Omaha, because there are a great many references in the report of the Federal Trade Commission, and especially on page 29, to the working of a fixed percentage of hog buy at this point. And the percentage which was fixed, according to the Federal Trade Commission, was Armour 30 per cent.; Cudahy 30 per cent.; Swift 25 per cent.; and Morris 15 per cent. Now, the fact is, that in 1914 Morris purchased at Omaha 16.42 per cent. of the hogs, or 309,441 head; in 1915 Morris purchased 17.13 per cent., or 349,979 head; in 1916 Morris purchased 17.37 per cent., or 432,715 head; in 1917 Morris purchased 17.99 per cent., or 375,916 head; in 1918 Morris purchased 18.77 per cent., or 497,115 head.

The difference between the "arbitrary" of 15 per cent. and the actual purchase in 1918 of 18.77 per cent. represents 99,861 hogs; over two months' killing at our Omaha plant.

This *theory* about uniformity of purchase should have no more effect than it had on the jury in the trial of 1912. There is no merit in it.

The Bankers.

An entire chapter, and more than fifty pages of printed matter are devoted to a discussion of the interest of certain New York bankers in one of the corporations constituting the five big packers, and dire possibilities are drawn from the fact that bankers are interested in the packing business. We do not need to go to the future, or speculate on what may happen, in order to get useful les-

sons out of this very significant circumstance, and which bears directly on the lack of power of these five packers, and also on the amount of profits which they are making.

The fact is, that it takes a vast amount of money to pay cash every day for the large number of live meat animals purchased by these five big packers every day of the year and to conduct this enormous industry. Some day the importance of this may dawn upon the producer, who gets his cash every day. The packers are necessarily heavy borrowers. The company in which these bankers, or their clients, have become interested, was one of the five big packers included in this so-called "live stock pool," and which the Federal Trade Commission reports has existed so long that their "consciences became dulled," coming originally out of the old Veeder pools in the eighties and then through the National Packing Company in 1903, and the Federal Trade Commission claims to have traced the present "live stock pool" back to 1902. According to the Federal Trade Commission it was so strong that it could "at will" control its purchases, its sales and its competitors (page 3 of the Summary). And the Federal Trade Commission tried to make the American people believe that the packers were ruthless profiteers. And yet the admitted fact remains that one of these five big packers *was forced to reorganize and re-finance on account of financial difficulties*. How could that be possible, with this company as one of the members of a pool that for more than fifteen years controlled "at will" its purchases, its sales and its competitors? This one stubborn fact drives home the conviction that there is a screw loose somewhere with the theory of the Federal Trade Commission. As a general proposition, where there is a sharp conflict in human testimony, there is some big, controlling fact which in-

dicates where the truth lies. So I say this one big fact points to the truth, not only as to the power—or rather lack of power—of these five packers but also as to the profits which they make.

Solely on account of these financial difficulties of this company, which is supposed to have been sailing along as a member of a greedy and grasping monopoly that was profiteering, we find that the bankers reorganized this company, *but only to save their money*. This cannot be denied, and I would like to have an explanation as to how it would be possible for one of these five big packers to hit the financial rocks, if one-hundredth of what the Federal Trade Commission says is true. It strikes me that there is a great inconsistency in the situation.

That is all I am going to say on that subject. Let the Federal Trade Commission explain, if it can. Yet the Commission would have the country believe that these five packers are going to send it to the bow-wows, simply because these bankers were forced to reorganize one of these corporations, in order to save their money, and which was advanced so that the company could pay cash every day to the producer for his live stock.

Fluctuations.

The President, in his letter to the Federal Trade Commission, directing this investigation, had something to say about fluctuations on the live stock market. This subject is pretty well covered by Mr. John G. Imboden, a successful feeder, in the *Breeder's Gazette*, of the last issue, in which he uses the following language:—

“How to regulate the market so as to avoid these violent fluctuations is still a serious problem. Are the skyrocket markets that we occasionally have on cattle, hogs and sheep any more justifiable than

the violent declines? When the market rapidly advances and goes far beyond the producers' expectations, as it often does, he does not complain or find fault with this Commission firm; he does not say there is a combine on the part of the buyers and packers; he does not say there is no competition. He says that the supply and demand are such that the buyers and packers cannot help themselves; that they must pay the price if they meet competition and get the stock. But let the reverse come, and what do we hear from the producer? He finds fault with his commission firm; he says that it is evident that there is no competition among buyers, that there is a combine to manipulate prices, and that the supply and demand have nothing to do with the market. I claim that supply and demand have been and will be the controlling influences affecting the live stock markets."

The viewpoint of the different shippers on this question is determined very largely by whether they catch the peak or the low point of the market—simply the old rule of human nature, where there is no complaint if successful, but very loud and persistent complaint if they happen to be against the market.

I want to say on behalf of Morris & Company that if any plan can be devised that will do away with fluctuations, we will be only too glad to co-operate in good faith and to the fullest extent. In fact, anything that will improve market conditions or will be in the interest of the producer, we will embrace. Unfortunately, however, that is not the purpose or the effect of the bill before this Honorable Committee.

Testimony of Chairman Colver.

Of course, the *feasibility* of the scheme contemplated by this bill is very important, that is, to ascertain whether it is practical and workable. With this evidently in mind, a member of this Honorable Committee put the following question to Mr. Colver when he was on the witness stand:

“So that there would be nothing left to these corporations or associations now engaged in the packing business except the privilege to slaughter their cattle or the right to slaughter their cattle, and to own packing establishments in which they did their business. Everything else that was necessary and pertinent to the conduct of that business would be under Federal control, if the President or his agents should so desire; that is it, is it not?”

Mr. Colver: Yes. I think that the packing business then would be in exactly the same situation as, let us say, the automobile business, or the manufacture of cotton textiles or woolen textiles. That is to say, the manufacturer would buy his raw materials and work it up and turn it over to a common carrier to be sent forth on its journey in an open, free channel of interstate commerce, with its destination the final consumer; he would be in exactly the same condition as all the rest of the manufacturers in this country and he is a manufacturer.”

He was then asked whether he could conceive of any other large business being restricted in this manner, that is, by being limited only to the manufacture and having all other facilities taken away, and to this question Mr. Colver answered as follows:—

“I conceive that millions of dollars are invested in the manufacture of shoes under similar conditions, millions of dollars are invested in the manufacture of flour under similar conditions; millions of dollars are invested in the manufacture of machinery and steel under similar conditions.”

It is simply impossible to imagine how any man, who knows the A B C's about the packing business could make such statements. Evidently Chairman Colver learned absolutely nothing about the sale of fresh meats during the two years that his Commission has been investigating that important subject. But the trouble is, that he was not looking for something corrective or constructive, but was looking only for something criminal against the packers. He evidently thinks that all the packer has to do is to load the meat into a car and ship it to New York and it will sell itself. He fails to draw the great underlying distinction between the packing business and any one of the businesses that he mentioned, that is, that fresh meat is a highly perishable product and must be sold in a few days, whereas the other products are staple and can be put in stock and kept for six months or one year. This one distinction makes all the difference in the world and that is evidently something that Chairman Colver either has not, or would not grasp.

When a perishable product must be sold in a few days, then the price that can be obtained for that product depends primarily upon the law of supply and demand, that is, the amount of similar meat on the market, whether a glut or a scarcity, and the demand at that particular time. This demand is influenced by a dozen different causes, over which the packers have absolutely no control. That demand may switch over night through weather conditions. It is lamentable that this big question was not studied from a constructive viewpoint. But if this Honorable Committee will spend one or two days in New York City seeing fresh meat sold in these branch house markets, you will readily understand that fresh meat is not sold like shoes, or automobiles, or machinery, or cotton or woolen textiles.

If the Federal Trade Commission is wrong on this big fundamental principle underlying the marketing of fresh meats, then no favorable consideration whatever can be given to this bill prepared at the direction of Chairman Colver, because it is the bill of the Commission.

How can the producer look at this view of the situation? What can he think will become of the market for his live stock if the Government starts out on a policy of putting fresh meat in a car and shipping it to the eastern markets on the theory that it will sell itself like shoes and woolens?

And yet Chairman Colver before this Honorable Committee stated that the President under this bill would no doubt consult the Federal Trade Commission in its operation and enforcement. What can the producer think is to become of his industry, if the fresh meats are to be sold under the direction of men so obviously ignorant of the business? It is to the interest of the producer, and of the industry as a whole, that this business should be run by practical business men and not by impractical theorists. To any one who understands the packing business, this one statement of Chairman Colver's is sufficient to nullify and destroy everything that he has said with reference to this bill, because he starts out with a false premise on the marketing end of the business.

This one bit of evidence is in itself one mighty argument against Government ownership, because it gives an inkling of the kind of inefficiency that will be in the saddle if this bill becomes a law.

Chairman Colver, on January 8th, before this Honorable Committee, stated positively that "there were thirty-four stock yards in this country completely in the

control of the five big packers," and then placed the Chicago yards as one of the thirty-four.

Then he further stated:—

"The Commission has definitely located Armour's interest in the Chicago Stock Yards Co. as 19.4 per cent. There is also evidence that Swift, and probably Morris, were parties to the negotiations by which Armour acquired his interests, but it has not been possible to prove Swift and Morris ownership, because of the system by which the stockholders' names are concealed through the issuance of 'bearer warrants' for the stock." (See page 322, Official Report.)

Then the list of these stock yards is inserted, with a notation practically in accordance with the above quotation, and the Chicago yards, with Eight Million Dollars capital stock, is put in the list as being *controlled* by the packers in order to make up the 52.7 per cent of the capital stock.

But Mr. Colver, when asked whether it was "not a reasonable assumption then that they (the packers) owned the warrants for stock in the Chicago Yards" had the nerve to answer "yes, but up to now we have not brought assumptions before this Committee and we have not brought suspicions here." Mr. Sanders:—"That is what I am getting at. Mr. Colver:—And we have not even brought conclusions." (See pages 381-382.)

There is absolutely nothing in this entire report but high sounding adjectives, assumptions and suspicions, most of which are positively false. But Mr. Sanders followed this matter up a little further and asked:—

"Have you put the other packers under oath, say Swift & Company, Cudahy and Wilson? If you suspicion them owning the stock why not have them summoned, sworn and asked either to admit or deny it?"

Mr. Colver: *Because this does not seem to be so important a matter—the ownership or percentage of ownership or whether or not there is ownership in those Chicago stock yards does not seem to be an essential thing in view of the fact that common ownership has been shown before you came in, in thirty-two other cases.”*

This answer to the effect that this was not “important” or “essential” is simply astounding, unbelievable, in view of the many very sensational and startling reports given out by the Commission on this very subject, to create prejudice and passion against the packers. But the question had put him in a hole, and the only answer he could think of for the moment was that it was not “important” or “essential.” Yet this one matter served as headlines in the public press for some time and a strong effort was made to create in the public mind the belief that there was something criminal about Mr. Armour’s holdings in the Chicago yards. When he reads this answer in cold type, I should think that Chairman Colver would feel somewhat embarrassed, and especially as he had the effrontery to say a few moments before that the Commission was not bringing before the Committee either “assumptions” or “suspensions” or even “conclusions.”

Then Mr. Sanders further asked:

“If you wanted to find out who owned the warrants, why did you not summon the men as to whom the suspicions pointed and question them, under oath, as to whether they owned them? You stated you made every effort to find the ownership of these warrants as the most direct method of finding the ownership of the stock.

Mr. Colver: Assuming that we had wanted or had felt that we had the time and that it was essential and necessary to run down further this stock war-

rant ownership, of course, we might have followed your suggestion."

So far as time is concerned, it would have taken about thirty minutes to have interrogated the President of Swift, Morris, Cudahy and Wilson on this subject. The Federal Trade Commission knew the truth and knew that these companies did not have any interest in the Chicago yards, and that is why the Commission did not call them. And I submit, in all candor, that the explanation of Chairman Colver on this subject shows the unfair attitude of the Commission towards the packers generally, and the utter unreliability of its report.

In the statement showing the holdings of the five big packers in these various yards, on page 324 of the Official Report, Armour is represented as owning Two Thousand, Nine Hundred Dollars of the par value of the stock in the Kansas City yards, when the fact is, and the Commission must have known it, that this stock is owned by Mrs. Jane Livingston Armour, a widow, in New York City, and who has absolutely no interest whatever in the packing business. And this is merely a sample of the unfair tactics and bitter partisanship of this Federal Trade Commission in handling this great question that is so close to all of the people. It shows the utter unreliability of the whole report. Yet Mr. Colver, in appearing before this Committee, would say that he has no prejudice against big business and that he does not want to introduce either "assumptions" or "suspicions" or even "conclusions."

The statement made by Chairman Colver before this Honorable Committee that equipment had been written up fifteen per cent. between 1902 and 1917 is not true, so far as Morris & Company is concerned.

The Small Packer.

The sensational report of the Federal Trade Commission charges, unqualifiedly, that "the competitors of these five concerns are at their mercy." As the Federal Trade Commission desired to create the impression with the people generally that these five packers were reaching out for world monopoly of meat food products, it realized that this charge could not be sustained unless it was at least asserted that so-called independent packers had either been driven out of business or were at the mercy of the five big packers. Accordingly, in the summary to the President, on July 3, 1918, the Commission says:

"Some independent packers exist by sufferance of the five, and a few hardy ones have survived in real competition. Around such few of these as remain the lines are drawing in."

This unfounded and false charge is sent broadcast over the world, for the purpose of creating a deep and lasting prejudice against the packers, regardless of the harm done to business and labor generally. It is part of the program of the people handling this propaganda, and the people's money to the extent of \$250,000, at least, was used for this sort of thing.

Now, the fact is that when this investigation was started, the Federal Trade Commission called on all of the smaller packers, so-called independents, and tried to secure evidence of unfair competition on the part of the five big packers. Then some of these smaller packers were requested by the Federal Trade Commission to appear before this Committee and testify on behalf of this bill. Some of them have appeared. You know what they said. They were all strenuously opposed to this bill, because they realize that if enacted into law it will be the death knell of the industry as a whole. But what did

they say? That is the important thing, because they are supposed to be the real victims of this alleged monopoly.

Mr. W. R. Sinclair, of Indianapolis, connected with Kingan & Company, appeared before you, and told you that Kingan's turnover last year amounted to sixty-three million dollars. This does not look very much as if "the lines are drawing in." He said that his company killed between a million and a million two hundred and fifty thousand hogs, and about one hundred and fifty thousand cattle last year.

But the important thing is that he told you, unqualifiedly, that there was active and actual competition, both in the purchase of the live meat animal and in the sale of fresh meat, and, *that while the five big packers were active and actual competitors, their competition was fair.* How did this testimony of Mr. Sinclair and the other small packers sound in connection with the very bitter charges made against the big packers?

I will not take the time to repeat even the substance of the testimony of these smaller packers, but as the testimony of Mr. Sinclair is characteristic of the testimony of them all, I will take the liberty of referring briefly to the more important parts of his testimony, because what he and the other small packers say should have great, if not absolutely controlling, influence both on this Committee and the public mind on the great question as to whether there is competition in the purchase of the live animal and in the sale of fresh meats, and also as to the policy involved in this proposed bill.

Let us first consider the purchase of the live animal, because the direct and specific charge of the Federal Trade Commission is that the five big packers have an illegal agreement to buy on a fixed and definite percent-

age. If I were to tell you that the live animal is bought under the old law of supply and demand, and that the interest of the five big packers in the various stock yards does not affect the prices paid for the live animal in these yards, you might doubt it, especially in view of the very bitter and vitriolic charges by the Federal Trade Commission. But what does Mr. Sinclair, a supposed victim of this alleged monopoly, say?

“Mr. Hamilton: In your experience, who fixes the prices to be paid from day to day in these stock yards?”

“Mr. Sinclair: I think the value of live stock is established by the demand there is for the product of the live stock.

“Mr. Hamilton: You mean the law of supply and demand governs?”

“Mr. Sinclair: As far as we know, absolutely.

“Mr. Hamilton: Well, if you wanted stock pretty badly, you could not get it if the five big packers did not want you to get it, could you?”

“Mr. Sinclair: It depends on who is willing to pay the most for it. I think the fellow that will pay the highest price will get it.

“Mr. Hamilton: Theoretically, yes; that is the good old-fashioned notion about competition.

“Mr. Sinclair: I think you will find that in practice, too. We do. We find that absolutely.” (See pages 826-7.)

Again Mr. Sinclair said, “We think there are free competitive conditions in both the buying and selling of our product.” (See page 879.)

Then Mr. Esch, in order to ascertain whether the interest of the packers in the stockyards had anything to

do with fixing the prices of the live meat animal, asked the following:

“Mr. Esch: You found in the various buying markets where you buy, full play for competitive conditions?”

“Mr. Sinclair: Yes, we have.

“Mr. Esch: You have been an active competitor of the big five, notwithstanding their agreement as to percentages on purchase of stock?”

“Mr. Sinclair: Yes; we have been active competitors and we have found them active competitors.

“Mr. Esch: And, when they dominate a stockyard, have you found it difficult, or impossible, to get your share of the stock that is offered for sale on the market?”

“Mr. Sinclair: We have never had any difficulty in buying what stock we wanted on any market, provided the price was right, and we were willing to pay it.

“Mr. Esch: Have you found that the percentage of increase on the purchase of stock in the primary markets has interfered with your purchases of stock?”

“Mr. Sinclair: No.

“Mr. Esch: Have the methods used by the big packers of ‘splitting shipments,’ the practicing of wiring on, as it is called, or any of those practices, interfered with your getting your supply on any of these primary markets?”

“Mr. Sinclair: No. We had never heard of them until we saw them in the Federal Trade Commission’s reports.”

But, in view of the statement that the five big packers dominate and control the primary markets all of the time, it is interesting to note that Mr. Sinclair testified that, “a great part of the year the market for livestock is

made by the eastern shipper rather than by the western packer." (See page 890.)

Then, when we turn to the sale of the finished product, we find that Mr. Sinclair testified as follows:

"As regards the selling of our finished product, it is all sold under active, and, what we consider, competitive conditions." (See page 781.)

"Mr. Hamilton: You undersell your competitors?

"Mr. Sinclair: That depends, I think, again, on the law of supply and demand. If we are liberally supplied with fresh meats, and have got to move them, we will naturally make a lower price on them than we would otherwise."

But this committee also interrogated Mr. Sinclair as to the methods of competition of the five big packers:

"Mr. Winslow: You are regarded as what is known as an independent corporation, your packing houses?

"Mr. Sinclair: Yes, sir.

"Mr. Winslow: As such do you feel in the conduct of your business any pressure of what you would call an undesirable or illegitimate character from any combination of packers or any packer in this country?

"Mr. Sinclair: We do not.

"Mr. Winslow: You are quite willing to paddle your own canoe, and you are glad to do it?

"Mr. Sinclair: We are." (See page 839.)

As to the refrigerator car, the testimony of Mr. Sinclair was not only interesting but instructive. He said: "It is a question of maintaining the supply from day to day. We must have cars this morning to ship our fresh meat that we have prepared, because it will not keep. Fresh meats are not frozen; they are only chilled, and if they

are not shipped out when they are ready to be shipped out, or if there is any delay along the line, the meat goes stale. The business is being done in a very close way in that respect. There is not much time to lose." (See page 807.)

He further said: "These cars must be kept spotlessly clean to insure the product arriving sweet and in good condition. To do this it is necessary for them to be scalded and scoured for each trip. It is, therefore, not feasible to load them with other class of merchandise, which the railroads, if they owned them, would be required to do. * * *

"The managing and operation of them is so closely related to the distribution of the perishable products that their operation is now an integral part of the business." (See pages 787-8.)

He also stated that his company operated its refrigerator cars last year at a loss of \$46,000, and that the cars had a very high depreciation percentage, because of the dampness rotting the wood material and rusting the metal. He said that the ice and salt deteriorated the car very quickly; also that the government would have to have departments both to look after and repair the cars.

On the question of profits and branch houses, Mr. Sinclair said:

"The margin upon which the business is conducted is so narrow that the successful operation of the branch house depends on keeping as large a volume as possible passing through it. (Page 786.) * * * We do not know of any other industry of the magnitude of the packing industry which is operated on so narrow a margin." (See page 790.)

I have taken the liberty of quoting thus freely from the

testimony of Mr. Sinclair, which is purely characteristic of the testimony of all the smaller packers, because you should be willing to accept the testimony of these men who are "hanging on by their eyelashes," as the Federal Trade Commission would have you believe. How could you listen to the testimony of these disinterested men, alleged victims of this world monopoly, and not feel thoroughly convinced that this investigation by the Federal Trade Commission was made for a purpose. If this report is false on this very material point, how can it be relied upon in any particular whatever? I say that the testimony of these smaller packers destroys the report and the recommendations of the Federal Trade Commission absolutely and forever.

NO SHOWING REQUIRING ANY LEGISLATION AGAINST THE PACKERS.

It is not conceivable that this bill, in its present vicious and dangerous form, will ever be favorably reported by this Committee, or enacted into law. But while we do not favor Government ownership, you may have some feeling against the packers, which would be only natural in view of the sensational charges made against them by a branch of our Government. The Federal Trade Commission has had so much in a damaging way to say against the packers that there may be a disposition in certain quarters to amend this bill, or introduce a bill along other lines, feeling that there should be anti-packer legislation of some sort. If I may be permitted to say so, that would be a very grave injustice. There has been absolutely no showing whatever that would justify any such legislation at this time against the packers.

What are the pertinent facts in this situation? The packers are today paying the highest prices for live stock

in the history of the world, which forever negatives the idea of an illegal combination in the purchase of live stock. The five big packers have more competition in the packing business today than ever before and the small packers are growing rapidly, which proves that the big packers are not a monopoly and are not crushing out competitors by unfair methods. The report of the Commission shows that the other packers are not only growing, but are in a prosperous condition. The profits of the five big packers are entirely reasonable, which refutes every charge of monopoly and illegal combination that can be made against them, because if they constituted a monopoly that fact would necessarily be reflected in their profits. They have performed, and are still performing, a great service for this country and the Allies.

There has been no fair and intelligent investigation of either the production of the raw material or the sale of the finished product, that could be the basis for big, broad, constructive legislation. Consequently, there should be no disposition to pass some law, simply to have it said that the packers were legislated against. I say the packers stand before the American people with clean hands. They are entitled to praise instead of condemnation. In that connection I demand fair play, no more and no less.

But there is, unfortunately, more involved in this proposition than merely that of fair play to the packer. The welfare and the interest of the whole people are wrapped up in this issue. The packing industry has been a political football for these many years. We have remained silent through years of abuse and misrepresentation. When we come up to the proposition that one branch of our Government advocates a measure that would strike down this industry, it is time that we should make an

effort to have the people understand the truth and justice of this situation.

We have one illustration in this country of what agitation and misrepresentation will do. We now have the railroads on our hands with an enormous incumbrance which the people in the end must pay. It is probably the consensus of opinion that the people and the Government must now be fair to the railroads and that it is in the interest of the people generally that they should be fairly treated. But it would have been infinitely better if that attitude had been reached sooner. And so it may be with this packing industry. We now have a pretty heavy load to carry. Our cost of labor and supplies is practically twice what it was before the war. If prejudice and passion are to have full sway, and this industry is to be legislated against along the lines proposed, then, it is safe to predict that before the people of this country get the railroad question thoroughly settled they will have the packing industry to straighten out also. What business can survive constant and continual investigation, trials and condemnations by a branch of the Government?

In that connection, it might not be amiss to pause and reflect on the great power to do wrong and injustice which the Federal Trade Commission has under the law, if there should be any disposition on its part to use that power. The power to examine all private books and records was given to the Commission on the theory that it was to guide and assist business, not to crush and destroy it. If the Federal Trade Commission should deliberately set out to injure a certain industry, it has tremendous, if not unlimited power at its command. The report of any branch of our Government should be entitled to the respect and confidence of all the people, which only tends to increase the power of any branch of the Government to do wrong.

I want to say, with all the force at my command, that sufficient has developed as to the methods of the Federal Trade Commission in connection with its investigation of the packers to make it highly inadvisable to base any legislation upon any recommendation of that Commission.

It is not merely a matter of fairness to the packers, but it is a matter of public interest. This is no time for "Bolshevism" in this country, and I insist that no showing whatever has been made that would justify any punitive legislation against the packers.

Certain Points.

1. **Constitutionality:**—I do not raise the question of the constitutionality of this bill, because its terms are so unwise, so radical and so destructive that I cannot conceive that the bill will ever be enacted into law, and because I am so sure of our ground and the justice of our cause that we prefer to come before Congress and go to the American people on the broad merits of the proposition.

2. **Mileage of Big and Small Packers' Refrigerator Cars:** It is contended on the part of the Federal Trade Commission that the big packers' cars average about 84 miles per day, while the small packers' cars average much less. It has been suggested here that the efficiency of the big packers in keeping after their cars constantly will account for this to some extent, but there is another and bigger reason, which constitutes a very good explanation for this difference, whatever the difference may be, and that is that a vast majority of the refrigerator cars of the big packers go from the packing plants in the West to the seaboard and generally in trains, and, of course, these

move very quickly, whereas, probably the majority of the refrigerator cars of the small packers are used in car route service, and these cars naturally and necessarily go to small towns, have stops and move much more slowly and set out on side tracks where they cannot be handled expeditiously. This is necessarily at the base of this whole matter, because Cudahy, who has no plant east of the Mississippi River, has the highest mileage of any of the big packers.

Another thing: When the small packers' cars do go to the Eastern markets they are not shipped to their own people, who receive, unload and return them promptly, as our cars are returned, but they go to wholesalers and jobbers, who are not interested in getting the cars back to the packing plants.

3. Amount of Profit in Feeding Cattle:—This question has been asked by members of this Committee. Of course, I cannot say whether the proper economies are used in the production and feeding of meat animals, or not, because no investigation whatever has been made of that subject. I have always thought that it would be helpful, not only to the industry as a whole, but particularly to the producer, to ascertain whether some changes and improvements might not be made in that direction. But I do want to state this fact, that Morris & Company during the last two years have fed about 10,000 cattle each year, and our profits have been between \$40 and \$50 per head. Accordingly, it stands to reason that if the proper economies were practiced by the producer, his profits would be about the same, and yet the profits of Morris & Company, as packers, including all by-products and outside lines and the profits from the feeder cattle, are only 83 cents per head. Our profits of nearly \$500,-

000 per year on these cattle went into and constitute a part of the profits of Morris & Company in constituting the percentage of profit which I have given you.

4. Total Slaughter:—Certain other gentlemen who have appeared before you have been asked for the total slaughter of their respective companies. The total slaughter of Morris & Company for our last fiscal year was: Cattle, 1,372,222, which cost us \$134,720,878.15; calves, 259,160, which cost us \$5,291,252.82; hogs, 2,485,412, which cost us \$101,355,651.06; sheep, 944,140, which cost us \$11,117,733.04. In other words, during the last fiscal year Morris & Company slaughtered 5,060,934 head of cattle, calves, hogs and sheep, which cost a total sum of \$252,485,515.07.

5. Wool Growers' Resolution:—In this connection I would like to read into the record as a part of my statement a resolution adopted by the Wyoming Wool Growers' Association in convention at Lander, Wyoming, on January 11, 1919, as follows:

“Therefore, Be it resolved, that we request our representatives in Congress to use their influence in securing the immediate return of the management of the railroads to the owners.

“Further, Be it resolved that we request our representatives in Congress to oppose all legislation proposing Government control or ownership of marketing facilities of livestock and meat products.”

6. War Profits:—Permit me to call your attention to the fact that we have now a very large supply of meats purchased at the high point, and if the prices go down, as they certainly will in time, these products will be sold at a loss. Morris & Company has an average inventory of 100,000,000 pounds. If the market should go down only

one cent a pound, this would represent a loss of \$1,000,000. Consequently, this situation must make it very plain to this Committee that, in fact, the profits of the packers during the war, about which there has been so much said, are really paper profits, and the chances are more than equal that they will be wiped out during the next few years; that is, when the price of this product declines. In any event, I want the Committee to appreciate and understand the precarious situation of the packers when all of this hurtful propaganda against the packers is being given out at this time in this country.

CONCLUSION.

In conclusion I want to say just as positively as the English language will permit, *that Morris & Company is not in any illegal agreement to control the price to be paid for live stock by having a fixed and definite percentage of the buy, or in any other manner whatever, and that the fresh meats are sold on the open market, and that the profits of Morris & Company are as I have given them.*

I trust the Committee, at this point, will indulge a little personal reference. My grandfather, Mr. Nelson Morris, entered business at the Chicago yards on a capital of fifty cents. When he died, and for many years before, he was the largest cattle feeder in the world, feeding at one time sixty thousand head of cattle, and always selling them in the Chicago market to the highest bidder. He had the utmost confidence and respect of all live stock men. In this regard, I would follow in his footsteps. He was never appealed to in vain to buy a bunch of cattle, not wanted by the other buyers in the yards, and he often paid more than they were actually worth and when they could not well be handled in the plant. I venture the assertion that the feeders and shippers of the country generally will confirm this. And I want the stock men to know that I want to have, and deserve, their confidence and respect. There should be complete co-operation and good feeling between us. I also want the consumer to get a square deal. That is all I want.

A great deal has been said and written in this country about equality of opportunity. I would have that same opportunity which my grandfather had preserved for the young men of today and of the future. That is of infinitely more importance to this country than the entire

packing industry, for if that opportunity is preserved, the packing industry, or any other industry for that matter, would be built up again, even if stricken down. But if personal initiative, incentive and ambition are stricken down, then nothing will be rebuilt, and we will enter upon an era of retrogression, when this country should go forward by leaps and bounds for many, many years to come.

I want to express my appreciation for the very great honor of the privilege of appearing before this Honorable Committee, and I want to thank you for the very great kindness and courtesy which you have accorded me. And if you will permit me to say so, I hope that in this matter you will reach the conclusion that in the end will result in the greatest good to the greatest number.

Gentlemen of the Committee, having implicit faith in the justice of our cause, it is with complete confidence that I leave our case in your hands. All that we want is a square deal.

65TH CONGRESS,
3D SESSION.

H. R. 13324.

A BILL

To provide transportation, storage, and marketing facilities for, and to regulate commerce among the States in, live stock, meats, and other products derived from live stock or the slaughtering of live stock.

By Mr. SIMS.

DECEMBER 10, 1918.—Referred to the Committee on Interstate and Foreign Commerce and ordered to be printed.

65TH CONGRESS,
3D SESSION. **H. R. 13324.**

IN THE HOUSE OF REPRESENTATIVES.

DECEMBER 10, 1918.

Mr. SIMS introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce and ordered to be printed.

A BILL

To provide transportation, storage and marketing facilities for, and to regulate commerce among the States in, live stock, meats, and other products derived from live stock or the slaughtering of live stock.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That in further regulation of commerce among the States for
4 the purpose of providing adequate transportation, storage,
5 and marketing facilities for live stock and for meats and other
6 products derived from live stock, or the slaughtering of live
7 stock, with respect to such commerce the President of the
8 United States is authorized—

9 (a) To acquire from time to time for the United States
10 through such agency or agencies as he may designate such

2

1 refrigerator cars and cars specially constructed or equipped
2 for the transportation of live stock or meats or other products
3 derived in whole or in part from live stock or the slaughter-
4 ing of live stock, which cars are owned or operated by
5 others than railroads engaged in interstate commerce, as he
6 deems fit for service and necessary or appropriate for the
7 purposes of this Act, together with such feeding stations,
8 icing stations, car shops, and other adjuncts, appurtenances,
9 and facilities as he may deem necessary or appropriate for
10 their operation; all stockyards at which the receipts of live
11 stock during the calendar year nineteen hundred and seven-
12 teen exceeded five hundred thousand head, together with
13 such terminal and belt railroads, exchange buildings, render-
14 ing plants, serum plants, market news services, and such
15 other buildings, adjuncts, and appurtenances as he may deem
16 necessary or appropriate for the operation of such stockyards
17 and facilities and for the operation of competitive live-stock
18 markets; such cold storage and freezing plants and ware-
19 houses, together with such adjuncts and appurtenances of
20 the same, as he may deem necessary or appropriate to pro-
21 vide facilities for the operation thereof, or for the storage
22 and competitive marketing of meats or other products de-
23 rived in whole or in part from live stock or from the
24 slaughtering of live stock.

(b) To acquire, construct, or establish from time to time for the United States, through such agency or agencies as he may designate, such additional refrigerator cars, specially equipped cars, stockyards, storage facilities, and marketing facilities, together with such adjuncts and appurtenances for the operation of the same as he may deem necessary or appropriate for the purposes of this Act.

(c) To acquire for the United States, through such agency or agencies as he may designate, such real estate as he may deem necessary or appropriate for the development and improvement of such stockyards, transportation facilities, storage facilities, and marketing facilities.

(d) To acquire for the United States, through such agency or agencies as he may designate, such real estate as he may deem necessary or appropriate for the location thereon of packing houses, rendering plants, serum plants, and other establishments or facilities for the preparation and manufacture of meats and other products derived in whole or in part from live stock or the slaughtering of live stock, and to lease or license the use of such real estate and facilities connected therewith upon such terms and conditions as he may deem necessary or appropriate, such leases and licenses to be revocable in the discretion of the President, and upon such terms as he may from time to time prescribe.

(e) To operate for the United States, as common carriers, through such agency or agencies as he may designate, all stock cars, refrigerator cars, and specially equipped cars acquired for the United States under the provisions of this Act.

(f) To operate for the United States, through such agency or agencies as he may designate, all stockyards, storage facilities, and marketing facilities acquired for the United States under the provisions of this Act as public utilities upon payment of such charges and upon compliance with such conditions and regulations as may from time to time be prescribed by him or such agency or agencies as he may designate for that purpose.

(g) To acquire, by purchase, lease, or condemnation, the cars, stockyards, real estate, and other properties which he is, by the provisions of this Act, authorized to acquire.

(h) To establish such agencies, appoint such officials and employees, make such rules and regulations, prescribe such fees, tariffs, and charges, and lease, license, or apportion the use of any property or facilities of property acquired under the provisions of this Act upon such terms and conditions as may, in his judgment, be necessary and appropriate to effect the purposes of this Act.

SEC. 2. That for the more effectual carrying out of the purposes of this Act the operation in interstate commerce of

1 all refrigerator cars and specially equipped cars for the trans-
2 portation of live stock, meats, and other products derived in
3 whole or in part from live stock or the slaughtering of live
4 stock is hereby declared to be exclusively a function of the
5 United States, and shall be operated exclusively by such
6 agency or agencies as the President may designate under
7 the provisions of this Act, or by such licensee or licensees
8 as he may designate and upon such terms as he may provide
9 in and by license issued by him for such purpose and under
10 such regulations as he may from time to time prescribe.

11 SEC. 3. That for the more effectual carrying out of the
12 purposes of this Act, all persons, partnerships, associations,
13 or corporations engaged in the operation, in interstate com-
14 merce, of stockyards or the adjuncts, appurtenances, and
15 facilities hereinbefore enumerated or engaged in the pur-
16 chase, manufacture, storage, or sale in interstate commerce
17 of live stock or the products derived in whole or in part
18 from live stock or the slaughtering of live stock, shall oper-
19 ate exclusively under license issued by the President through
20 such agency or agencies as he may designate, and upon
21 such terms as he may prescribe in such licenses and under
22 such regulations as may from time to time be prescribed by
23 him or with his approval by such agency or agencies as he
24 may designate: *Provided*, That such license shall be re-
25 vocable at the discretion of the President: *Provided further*,

1 That the provisions of such license may include the rela-
2 tion, direct or indirect, of the licensee to the purchase, manu-
3 facture, storage, or sale in interstate commerce, of commodi-
4 ties other than live stock and the products derived in whole
5 or in part from live stock or the slaughtering of live stock.

6 SEC. 4. That when, in his judgment, such action shall
7 be necessary or useful for the purposes of this Act, the
8 President may form one or more corporations under the
9 laws of any State, Territory, or District of the United States,
10 as an agency or agencies for the purchase, extension, lease,
11 release, maintenance, or operation of such property as may
12 be lawfully acquired under this Act and for the doing of
13 such things as may lawfully be done under this Act; the
14 capital stock of such corporation or corporations thus formed
15 shall be subscribed and retained by the United States, and
16 shall be issued and paid for out of the funds provided under
17 authorization herein, or otherwise provided by Congress,
18 in such amounts and at such times as the President shall
19 direct. The directors of any such corporation shall not be
20 more than five, and shall be appointed by the President, by
21 and with the consent of the Senate.

22 SEC. 5. That for the purposes of this Act there is
23 authorized to be appropriated, out of any funds in the Treas-
24 ury not otherwise appropriated, the sum of \$500,000,000
25 to be used as a revolving fund, and all moneys and other

1 property derived from the operation, leasing, or licensing
2 under the provisions of this Act are hereby declared to be
3 the property of the United States; and unless otherwise di-
4 rected by the President shall not be covered into the Treas-
5 ury, but such moneys and properties shall be an addition to
6 and a part of the revolving fund hereby created. The Presi-
7 dent shall each year, as soon as practicable after January
8 first, cause a detailed report to be made and submitted to the
9 Congress of all receipts and expenditures made under this
10 Act, and of the acts of the agency or agencies employed
11 hereunder. At such periods as the President shall direct
12 the books shall be closed and the balance of revenues over
13 disbursements, or such part as he may deem advisable, shall
14 be covered into the Treasury of the United States. If such
15 revenues are insufficient to meet such disbursements, the
16 deficit shall be paid out of such revolving fund in such man-
17 ner as the President may direct.

18 SEC. 6. That if any section or provision of this Act
19 shall be invalid for any reason whatsoever, the invalidity of
20 such section or provision shall not be construed to affect the
21 validity of any other section or provision thereof.





